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# CAPITALISM

## *Carries On*

BY  
WALTER B. PITKIN

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*To* THE MIDDLE CLASS  
ON WHOSE SURVIVAL AND PROSPERITY  
ALL CIVILIZATION DEPENDS





## *Preface*

ONE hundred million people can't be right. For the last five years they have all been fearing that capitalism has reached its end, and they have been sighing for the good old days. This gave me a clue. I followed it up. Here is what I found.

WALTER B. PITKIN.

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# *Contents*

INTRODUCTION	I
<i>Giraffe</i>	3
Capitalism in the Time Stream	7
<i>The Three Attacks</i>	10
<i>Forecast</i>	12
 I. CAPITALISM CARRIES ON	 22
 II. WHAT IS CAPITALISM?	 27
<i>Competing Systems</i>	28
Capitalist America	29
Coolie America	31
Criminal America	35
<i>Other Kinds of Capitalism</i>	39
Capitalism without Profits	48
 III. THE CRISIS OF MEN	 51
<i>The Chaos of Anthropoid Freedom</i>	52
The Menace of the Stupid	54
The Mathematical Moron	58
Slaves of Yesterday	60
The "Business Cycle" Superstition	63
The Menace of the Slow	66
The Menace of the Clumsy	67
The Menace of the Worthless	71
The Stone That the Builders Rejected	72
The Seven Ages of Industry	73, 74
The Menace of the Vicious	85
Our Moron Morals	88

## CONTENTS

Making Crime Pay	90
<i>Is Capitalism an Evil System?</i>	94
<i>The New Control of Men</i>	98
<i>The New Class Society</i>	102
IV. THE CRISIS OF MONEY	109
<i>Money Is a Public Utility</i>	109
<i>The Menace of the Money Traffic</i>	111
Money Traffic Is Not Capitalism	113
<i>How Money Moves</i>	115
The Foreign Investment Folly	118
Capitalism Away from Home	122
<i>The Money Traffickers, 1929, ff.</i>	132
<i>The Final Divvy</i>	134
<i>The "United Front"</i>	136
<i>The Money Traffic: Capitalism's Enemy</i>	137
"Good" Bankers and "Bad"	140
<i>Two Orders of Value</i>	141
V. THE CRISIS OF MACHINES	147
<i>Must Profits Vanish?</i>	148
Profits in Distribution and Services	150
<i>The Right Kinds of Overhead</i>	152
<i>Unemployed Dollars</i>	153
<i>New Careers for Idle Dollars</i>	156
One-per-cent-for-progress	158
Experiments in Social Technology	164
Profits through Regional Production	170
<i>The Problem of the Profiless Fields</i>	173
<i>Capitalism Stalls the Motor</i>	176
The Case for Credit Inflation	177
Social Credit May Save Us	190
<i>Does Technology Doom Capitalism?</i>	191
<i>The Time Stream and the Entrepreneur</i>	198
Minds Outrun Money	202

## CONTENTS

VI. CONTROLLED CAPITALISM	204
<i>Domains of Freedom and Compulsion</i>	209
<i>Planned Economy Is Dangerous</i>	216
VII. CAPITALISM: A MIDDLE-RANGE SYSTEM	219
<i>Lucky Sweden</i>	225
<i>Lucky France</i>	227
VIII. CAPITALISM: THE MIDDLE-CLASS SYSTEM	229
<i>Upper and Nether Millstones</i>	241
<i>Middle-class Secession</i>	245
<i>A Fair Trial for Capitalism</i>	249
<i>Can We Find Leaders?</i>	250
IX. MIDDLE CLASS TO THE RESCUE	252
<i>The Able Are Mostly Middle Class</i>	253
Adventurers All!	257
<i>The Two Societies</i>	261
<i>Middle Class Collapse</i>	265
<i>Profit Is Not Prosperity</i>	267
<i>Civilized Profit Seekers</i>	269
AND SO WE CONCLUDE . . . .	277



## *Introduction*





## *Giraffe*

Is capitalism the best of all systems?

Is the giraffe the best of all animals?

There is as much sense in the second question as in the first.

The giraffe is a creature of circumstances. Some odd liaison of chromosomes gave him a throat without a voice; a neck long enough to munch leaves off tall trees, front legs of unparalleled dimensions and awkwardness, a hide so thick that even a lion gets toothache biting through it, and other minor eccentricities which would cause wonder among the thoughtful. Had Wesley Mitchell gone in for biology rather than for economics, he would have been the first to remark, on seeing the giraffe: "There ain't no sich animal." And he would then have remarked: "The wonder is, not that this creature prospers, but rather that it gets along as well as it does."

The giraffe, we may be sure, belongs to an Age of Transition. On a treeless plain it could not thrive, no matter how luscious the grass. The toil and humiliation of spreading those forelegs and stretching that amazing neck all the way to

earth every time the giraffe wanted a bite to eat would have exterminated the species soon after it appeared. Even worse would have been the handicaps of life in a forest. For there the hapless giraffe could not have worked its way through the mesh of limbs. It could not have fled its enemies at all, for its sole safety lies in flight.

Thus, children, we see that the giraffe must belong to a world which is passing from grassy plains to forest, but is neither all grass nor all trees but a blend of the two. There must be trees enough to furnish leafy fodder. And there must be great open spaces between tree clumps wherein the giraffe may elude the lion, which revels in giraffe steaks. Were Africa's trees to invade all the plains, good-bye giraffe. Were the plains to kill off all the trees, again good-bye!

So, you see, the giraffe is a pretty good animal for a place and time wherein there is neither total scarcity nor utter abundance of trees. A borderline creature, in short.

And this brings us gracefully to capitalism. How strangely like the giraffe in some respects!

It too is a clumsy creature. It is designed to eat the rich top foliage beyond the reach of most low-down animals. As the treetop to the giraffe, so are profits to capitalism. The grass down below is merely interest and wages.

## INTRODUCTION

Like the giraffe, capitalism has no voice of its own. It is singularly inarticulate. It cannot tell you what it is, or what it wants, or why it does what it does. It can communicate only through its attorneys and its press agents.

Also there are many lions in its path. Racketeers prey upon it. A host of lesser crooks lurk in the grass, eager to spring. And the hyena circles around the bolder beasts of prey awaiting his chance at the leavings—his name is the Receiver.

Most important of all, though, is the amazing resemblance between the environment of the giraffe and capitalism. The latter cannot prosper in a place and time of total scarcity, or in a place and time of utter abundance. It too is a creature of an Age of Transition.

Capitalism cannot exist in a world of complete scarcity. When men must spend all their time and energies rustling for the most elemental needs, they can spend no efforts in accumulating surpluses beyond their own requirements. If, perchance, they manage to store up food during the summer against a long hard winter, there isn't an extra scrap to give away, to lend at interest, or to sell at a profit. In a miserly environment where men have not learned how to wrench more than a bare living from the land, they run a grueling race against time and starva-

tion. Capital cannot exist. Nor can a system of exchange involving interest, profits, and competition.

But as men make discoveries and inventions and devise new techniques to produce more goods of certain kinds than needed for their immediate use, scarcity begins to yield to abundance. Workers can pile up accumulations of goods to exchange for others they lack. They have buying power—in goods or in money. And capitalism becomes possible at the critical period in space-time when neither complete scarcity nor complete abundance prevails. As more and more goods become abundant, less buying power is needed to secure these than when they were scarce. Profits in their production decline. And as technology speeds the day when every important necessity and comfort become a public utility, capitalism must pass from the scene.

Ten inventions could end the system, if all came within any ten years.

The first invention would be one on which some of the keenest biologists have been toiling for years—the control of soil bacteria which make plant food, so that anybody could raise vegetables and grains almost anywhere, regardless of the nature of local soil. This would

## INTRODUCTION

### CAPITALISM IN THE TIME STREAM

In the diagram below, time moves from left to right. At the left is the distant past, the Age of Utter Scarcity. At the right is the far future, the Age of Utter Abundance.

In the stream, there are three levels. Up on the surface, so to speak, you find the flow of goods; just beneath that comes the flow of distribution; and down deeper is the flow of services. The capitalist system moves down this time stream somewhat like a swimmer. His head remains somewhat forward of the rest of his body and up on the surface. His arms are down in the stream, partly in the top and partly in the second layer. His legs are farthest down and farthest behind.

#### TIME STREAM

Age of utter Scarcity	Middle range of partial scarcity and partial abundance	Age of utter Abundance
No profit here; no buying power	Time stream of goods	No profit here; everything too cheap
"Every man for himself"	Time stream of distribution	Everybody depends upon everybody else
	Time stream of services	

quickly cheapen all food to the point at which beggars would eat like kings.

The second invention would be one on which hundreds of the ablest chemists and physicists have long been toiling—the tapping of all the energy stored up in petroleum and vegetable oils, so that one gallon of gasoline would drive an automobile two hundred miles. Some of the greatest engineers believe this invention may be only fifty years away. I don't know.

The third invention would abolish all harmful insects, thus opening up the tropics to settlement and multiplying men's opportunities so tremendously that nobody can form a clear image of the new order. Some workers in radioactivity think this invention may arrive almost any minute. High frequency sound waves kill many insects. A beginning has been made. That proves that success may come.

Write the other seven inventions to suit your own taste. A hundred combinations here are almost equally effective as destroyers of an economic system which thus far has depended wholly upon scarcity. I am not trying to prove which the next steps toward universal abundance will be. Let's get back to the giraffe.

As the giraffe belongs to a special place and time, so does capitalism. Both are clumsy creations. Both seem to have been thrown

## INTRODUCTION

together by a blind man who had gained access to the rag bag of Mother Nature. Capitalism cannot thrive in a place and time of total scarcity. Nor can it thrive in a place and time of complete abundance. It has never been found in the fastnesses of the Sahara. It will not be found in Utopia. Just as the giraffe must have a certain amount of green fodder, so must capitalism have a certain volume of business. This volume cannot be attained where everybody buys nothing or where nobody has to buy anything.

When and where lies this zone of the happy hunting grounds? And how much longer will capitalism thrive there? These are the practical questions which concern us all. They are not at all metaphysical like the ponderosities of Marx. We take our stand as biologists watching creatures come and go. Having wearied of our giraffe we turn to capitalism. How soon will it die off of malnutrition induced by science and invention, which give to almost everybody almost everything for almost nothing? Will the obituary be printed in 1940? Or in 1950? Or maybe in 2500? And just what will be happening before the demise? Revolution? Inflation? Collectivism? Or something as yet unsuspected?

The broad zone between desert and Utopia will eventually be traversed. Capitalism will eventually pass. (So will the moon, by the way.)

But you and I, living in this age and on this continent now, want to know whether those things we see sticking up along the desert's dazzling rim are the spires of Utopia or just another cactus. Is that fair plain, are those lovely blue pools of mirroring water over there our Promised Land—or just one more mirage to mock the weary caravan?

Let's get down to facts. And thanks for the giraffe.

### *The Three Attacks*

There are three and only three ways of interfering with capitalism:

1. You may somehow destroy all accumulations of wealth and all instruments of production, thrusting the world back into primitive scarcity and thus making paupers of us all; or

2. You may invent, build, and start operating supermachines which turn out almost every necessity and comfort so cheaply and in such volume that there is no longer any profit nor any attractive wage in making things or in rendering personal services; or

3. Without making things scarcer or more abundant, you may simply interfere with the normal workings of capitalists, either by passing laws against them or by stealing from them or by working some racket on them.



## INTRODUCTION

In America today the first of these three attacks is recommended by nobody, but as a result of drift, millions of people have sunk into poverty and cannot buy things.

The second attack is being forced by various people. And by nobody more zealously than the President of the United States in his power program, which—whether accurately or not—aims steadily at the rapid cheapening and universal dissemination of electricity. By thus taking the profit out of the industry, capital will leave it for fairer fields.

The most popular attack is the third. The masses understand it. They must have a villain to hiss at. And who a blacker villain than the profiteer, gorging on dividends while wan widows sink into their early graves, unfed and unsung? Few people have any abiding interest in progress beyond a full stomach, a little liquor, a shelter for the night, pinochle, a wench, and of course the movies. They would like to get all such elementals with the least possible exertion and at the lowest possible cost. They wish to assume no responsibility in this laudable enterprise; so they applaud every stump speaker who promises to handle the whole job for them in return for a vote.

Few capitalist leaders fear technology, even though they understand that, in the course of

## CAPITALISM CARRIES ON

many years, it may narrow industry to a few fields and leave little more than personal service open to free enterprise. Sufficient unto the day is the evil thereof. And this evil is the third attack. It is mass action through politics or else individual action through racketeering and bolder crimes.

The nightmares conjured up by Stuart Chase cause few sleepless nights. But the cunning of Huey Long and the "hot oil" thieves and the big-time grafters worry decent business men—and for the best of reasons.

### *Forecast*

Capitalism carries on.

But for how much longer?

Let us see what might end it, and how. It is conceivable that it might be destroyed by any one or more of the following trends:

1. Technology running wild,
2. The flight of capital,
3. A rebellion of the new proletariat,
4. A religious renaissance,
5. Violent nationalism, or
6. War.

Some students declare that technology has already ended capitalism, even though the latter does not know it is a corpse. They tell us that, as soon as leaders of industry realize conditions,

## INTRODUCTION

people will stop talking about capitalism and go to something more interesting than a memory.

This view cannot withstand analysis. But we must still admit, for the moment, that a sudden pick up in the rate of productivity could throw the whole economic system out of gear and even destroy it. Every year the output per man-hour rises. It has been rising faster during the depression than before it. It used to be between 3 and 4 per cent a year. Now it is more than 5 per cent. Were it to increase next year to 10 per cent, capitalism might collapse, for reasons which will later be presented. The bread lines would lengthen faster than new work could be devised for the idle.

As matters stand right now, however, there is not one chance in ten thousand that machines will displace workers much faster and upset the economic structure. Both the Administration and the leaders of industry show signs of controlling this peril. So we may safely predict that capitalism will continue for many years in the face of a rising technology.

So too with the flight of capital. Theoretically this is ever a peril. As the threat of inflation grows, capital strives to escape to some safer place. Were enough of it to desert a country, the latter would cease to be capitalistic not by conviction but solely through capitalist default.

## CAPITALISM CARRIES ON

Here again, though, we recognize the danger and are acting vigorously to forestall it.

The third influence is vastly more serious. I feel that few men realize how easy it may be for the immense new army of unemployed to take over the control of our nation within the next five years. Already it has the votes. It lacks only the competent leaders and the program of revolt. But both may be just around the corner of that street up which Upton Sinclair and his Epic hosts are marching. He would be a careless statesman who belittled the California crisis of 1934. It is vastly more significant than any Southern disturbances which occurred ten years before the Civil War broke out.

No fewer than 65 million Americans are now, in one sense or another, outside of the money-and-profit system. They have no homes, no jobs, no future in sight; or else they have shacks they call home, sweatshop jobs which keep them on the coolie level, and a future as black as night. A handful of men only half as able as the group which Lenin built up around himself could whip these hordes into shape and sweep the presidential election; if not the next one, then surely the following. This menace takes on stature as a result of the decay of both old political parties. The Republicans are too narrowly a Big Money crowd. The Democrats are a little bit of every-

## INTRODUCTION

thing and not much of anything—snake and saint, round and square, crooked and straight. But the 65 million outcasts have a simple platform and a common interest: "Go and Get It!" As the Have Nots, they find unity in their despair.

Will they find leaders? Nobody can answer that question. Great men arise unannounced. They appear on strange horizons. Over night a Lenin may lift his head out of the murk. All we may be sure of at this moment of writing is that neither Upton Sinclair nor Huey Long is that second Lenin. Less sure are we that, when the second Lenin marshals his hosts, the American structure will resist their onslaughts; but we are sure enough to argue this a little later.

Waco, Texas, shows what the bread line does to politics and government. By legitimate and ingenious methods a hungry statesman persuaded about 2,300 citizens to get on the election rolls for the first time in their lives. Good business, eh? Well, wait a minute. These particular 2,300 new voters all happened to be on the relief rolls, when his minions approached them.

All Waco musters about 9,000 eligible voters. Eligible, mark you! On the last election day, about 5,000 of these turned out to vote. The 2,300 bread liners, voting as one man (as they have full right to do), naturally swept their

statesman into office—and everybody else on the bread line ticket along with him. The new party of free lunches won, two to one. The virtuous burghers not yet in anybody's bread line are still frothing faintly over their discomfiture. A few among them see the deeper meaning of the upset. It is clear that whoever knows how to rally to his banner all the relief groups can run this country. Control will pass by the strictly constitutional method of having all the votes on election day. For our Eminently Respectables do not turn out in mass to defend themselves. But the bread liners know that they must turn out or go hungry, so out they come.

Few observers seem to realize how fast the churches of America—above all, the Protestant and to a lesser degree the Catholic—are turning against capitalism. The prodigious vogue of Father Coughlin, radio foe of Wall Street, must not be underrated. Nor should we shut our eyes to history. The Christians have ever been opposed, in one way or another, to some features of capitalism. Jesus spoke for the proletariat when he praised poverty and denounced thrift. He made light of private initiative and the rising standard of living. Throughout the Middle Ages the church passed laws against all interest charges on money. Today money changers and money makers are being denounced with rising

## INTRODUCTION

fervor in thousands of pulpits. Were a vivid religious leader to arise, he might readily end capitalism; for the masses respond to emotional appeals. Will he arise? Nobody knows. Could he be checked? All would depend on the vision and clear thinking of the American middle classes.

A religious renaissance would inevitably merge with a proletariat rebellion. The meek and the lowly, when in distress, always go religious. Study well the followers of Upton Sinclair. Among them you find the world's most amazing menagerie of psychological freaks, especially the religious breeds. Trouble might start among the outcasts and spread to the churches; or it might start in the churches and draw in the outcasts.

Violent nationalism is much more likely to end capitalism in the Old World than in the New. Conditions in North America fortunately hamper the spread of such extremes as Fascism and Nazi nonsense. Only the lunatic fringe here favors either, as many polls and large-scale interviews have demonstrated. But Europe and Asia face the destruction of capitalism chiefly because they are overpopulated, heterogeneous as to races and religions, and desperate. Japan, Italy, Germany, Spain, and most of the petty Balkan gangsterdoms turn to nationalism of one brand or another as a method of preserving something of the older economic system. Japan

makes a religion of her Shinto nationalism and rides all four horses of the Apocalypse in a fearful race to ruin. Before another decade has passed, the old order of capitalism which the ambitious sought to impose upon the ancient feudal system of Japan will have crumbled to dust. A fraudulent collectivism may succeed it, with the Mikado as the benevolent despot dispensing cookies and kimono while the old samurai live on the fat of the land, as of old. In short, feudalism once more.

Germany and Italy will probably go collectivist in a more genuine sense. By 1950 their governments may be indistinguishable from that of Russia—and quite successful at that, if they trade freely with Russia, source of all raw materials and consumer of all fine products. It is hard to see how capitalism can survive in lands incapable of yielding profits to many exploiters and high salaries or fees to many salesmen, machinists, engineers, and lawyers. The future of Germany and Italy seems to be written across their barren flats and hills crowded with superfluous millions of wretches having no future. Capitalism thrives only where natural resources are abundant, and buyers stand ready to snap up offerings. It can be sustained elsewhere only by an enormously inflated and artificial foreign trade.



## INTRODUCTION

Capitalism will surely perish shortly after the close of the second world war. On this all students of economics and politics seem to agree. Whoever brings on that cataclysm ends capitalism, even though he may happen to be a multimillionaire munitions maker. All "surplus value" will evaporate during and after that war. Bankers will be conscripted. Profiteers will be assassinated by the hundreds. So too will rulers who aid and abet profiteers. Western society will break down into thousands of gangs, and gang technique will succeed diplomacy and old-style government, just as it has begun to do in Germany. The horrors of that post-war era will lead people to some forms of collectivism, not because they deem it the best of all systems but rather because nothing else remains possible.

When will the second world war start? Who knows? I don't. Japan is headed toward conflict, but it may not lead to universal fighting. France and Germany prepare for a clash, but even this explosion may be confined to a small part of Europe. The Balkans may blow up, and yet fail to involve two continents in ruin. It seems most probable that our younger generation of Americans may not live to see the second world war. Of this, more later.

How long is capitalism likely to carry on, in the presence of these adverse influences great

and small? I would sum these up about as follows.

Capitalism will suffer severely within five years unless we solve the unemployment problem. For the political effects of a proletarian victory at the polls would speedily drive much capital out of the country, would strengthen the hand of the religious foes of capitalism, and might even, in an odd backhanded fashion, speed up technology by bringing the government into all the basic industries of food, shelter, clothing, power, and transportation, and equipping these with the most efficient devices of the hour.

If, on the other hand, the millions out of work are somehow readjusted satisfactorily, capitalism will carry on indefinitely within the United States, if we hold aloof from world wars. If, however, we are drawn into Old World battles, either in the Far East in 1936 or 1937, or in Europe in 1937 or later, we shall see some main features of capitalism vanish well before 1940.

Solve idleness and keep out of war, if you wish to continue the old American system in its essentials. There is no third menace comparable to either idleness or war.

I predict with much assurance that capitalism will carry on because I see signs of slow but sure victory over unemployment and still stronger signs of America's determination not to be

## INTRODUCTION

drawn into foreign wars at any price. The four-billion-dollar fund to create genuine productive work for the idle cannot fail to improve conditions greatly, so long as the spending is not allowed to be done by pork-barrel Congressmen; and, at this date of writing, it seems certain that the President will control disbursements personally. The new Congress, in its early weeks, gives many signs of attacking unemployment with fresh vigor from many other angles. So I am hopeful.

It is one thing to predict with assurance, and quite another to persuade doubters that you are not crystal-gazing. I have just indulged in broad, breezy characterizations. Are they founded on anything solid? Can they be proved?

Proved they cannot be, in the strict sense. Nothing future can be proved. You cannot demonstrate that the sun will rise tomorrow. You can merely invoke the much misunderstood "law of probabilities." So here. We deal with trends, tendencies, partly observable and partly invisible factors, and a variety of "laws" about which we know little or nothing. The fewer of these we understand and analyze, the less sure our guesses. The more we comprehend, the safer our anticipations.

*Capitalism Carries On*

CAPITALISM carries on.

Americans show little interest in schemes to replace it. No matter what the Old World does, we have set our faces toward a future which will conserve at least the broader pattern of individual initiative, private ownership, and competition.

Whether the men of two hundred years hence will regard us as wise or foolish, none can say now. All we know is that forces within ourselves and forces in our continental environment converge to hold us to the ancient course.

Every American ought to understand these forces, if only for the sake of speeding the day of economic recovery.

That day waits only upon public confidence. It will not come until most of us have been thoroughly convinced that no revolution is at hand—or that a revolution has come and gone without smashing all the shop windows and slaying all the politicians. When this new attitude is taken, enterprising men will begin to

## CAPITALISM CARRIES ON

seek new fields. Bankers will lend more freely for expanding trades. New towns will arise on long neglected fields. But as long as men fear sudden changes, they will cling to what they have. They will refuse to strike out into untrodden ways, and will suspect even their best friends.

We might undertake three tasks here. We might show that capitalism, as a plain matter of fact, *is* carrying on undefeated. We might show *why* it carries on. And we might show *how* it will carry on under new conditions. The first task is easy, the second pretty hard, the third partly impossible. As you read on, bear this in mind.

Capitalism carries on.

Most observers admit the simple fact. Conservatives admit it with glee; radicals, with groans and hisses. Innocent bystanders contemplate the event with little feeling.

What events combine to make us sure that America is going to jog along pretty much as we used to, as far as essentials of capitalism are concerned?

Here are the most important:

1. The Roosevelt administration has struck no direct and vigorous blow at any of the essentials of capitalism; on the contrary, it has, with considerable success and some failures, repaired the

## CAPITALISM CARRIES ON

old machine, filled its tank with good gas, and stepped on the starter. It has used taxpayers' money to save the banks, to bolster tottering factories, to protect loans made by money lenders, and to stabilize in every possible manner existing businesses.

2. Business leaders, good and bad alike, have been organizing to defend themselves against radical attacks with uniformly increasing success, during the past two years. Thus far the gravest menace to capitalism has been the timidity, uncertainty, and reactionary attitude of capitalist leaders themselves. For a time it seemed as though the old system would fail by default. But today we see vigorous action, some of it ill considered but much of it fairly intelligent.

3. Anticapitalist leaders, Socialist and Communist alike, have thus far signally failed to draw the masses away from the old American ways. Norman Thomas admits the futility of the Socialist party, as matters now stand. As for the American Communists, they are too busy scratching one another's eyes out to be taken seriously. The Farmer-Labor groups of the Midwest and Northwest must be taken more seriously—and soon will be! But, when all is said and done, they offer only another melancholy exhibition of the fatal weakness of American political life: a chaos of local interests forever

## CAPITALISM CARRIES ON

clashing, interfering, and defeating themselves through lack of national vision and national leadership.

Our hopelessly complex sectionalism is our greatest safeguard against Fascism, Communism, and every other radical forward or backward movement.

We are not a people. We are like Russia, a collection of federated regions, each having its own soil, climate, industries, manners, traditions, and peculiar politics. We are much farther along than Russia, to be sure. But no sober observer can call us a "people" in the sense that the French and the Italians are peoples.

4. The middle class, still the most powerful in spite of shocking defeats, stands overwhelmingly with the old American system. Professional people and executives, no less than most scientists, seem to believe that careful reorganizing will whip capitalism into shape. Here you find the keenest critics of the defects of money, banking, trade, and speculation. From these you get the most useful suggestions for reform, with surprisingly little revolt.

To be sure, many here believe that capitalism is doomed by technology. But they are not anticapitalist any more than a man who believes that the world is coming to an end is necessarily hostile to all affairs earthly. They are willing

enough to try to keep the old wreck afloat right up to the hour of sinking. And capitalism needs them sorely.

Most capitalistic of all are the farmers outside of the Northwest. They want reforms aplenty, but not to turn away from the old American system. They intend to go on owning their lands and tilling the soil just as their fathers did before them. I have visited almost every farming district east of the Rockies and north of Florida and the Gulf Coast during the past three years; and I have yet to hear a farmer attack capitalism except in the territory dominated by the Farmer-Labor party. Minnesota, Wisconsin, and the Dakotas contain many collectivists. In time these may multiply. But today they do not weigh heavily in the total farm votes.

5. The workingmen break up into scores of small groups, each inclining to its own pet policy and few tending away from the old American way. I am not competent to speak with first-hand authority about these groups. But from all that I have been able to gather, it seems that not more than one worker in ten is thoroughly convinced that capitalism must go.



## II

### *What Is Capitalism?*

CAPITALISM carries on—but what do we mean by capitalism?

When men talk about capitalism, they usually have in mind a system including *at least* the following features, which I list in the generally accepted order of importance:

1. Individual initiative
  - a. In picking careers,
  - b. In organizing business,
  - c. In developing new ideas and methods;
2. Private ownership of
  - a. Personal effects,
  - b. Means of production, such as tools, processes, factories, and the like,
  - c. Means of distribution, such as trains, trucks, stores, advertising agencies, salesmen, and so on;
3. Fair exchange of goods and services
4. Fair competition
  - a. For jobs,
  - b. For customers,
  - c. For free capital (investment funds);
5. Interest
  - On accumulated funds loaned out;

## CAPITALISM CARRIES ON

### 6. Profit

On accumulated funds invested in some enterprise.

Now, you must understand at once that these features vary considerably in regions and periods. And some of them are by no means clear.

Six-phase capitalism happens to be the sort we favor and try to practice in our own land and age.

But have we Americans accepted these basic factors of the money-and-profit system? Only in that poetic sense in which we once accepted Prohibition. The parallel is deadly.

### *Competing Systems*

Our laws once firmly prescribed Prohibition. Most of our alleged statesmen and officeholders gave support to those laws when they went to their constituents or were sworn into office. Our Best People loudly demanded the enforcement of the same laws. Yet gin was peddled in the Halls of Congress. Senators made fortunes out of distilleries. And our Best People stocked their cellars with liquors. Half the population disapproved of Prohibition and resisted it. Verbally the law stood, in all its majesty. Practically people did as they pleased. Perhaps fifty million Americans never touched a drop of alcohol and

## WHAT IS CAPITALISM?

opposed everybody who made or bought it. And sixty million others gulped oceans of the stuff.

So with the money-and-profit system. All our written laws support it. Statesmen extol it. Business men fancy it rules the world. Alas! It does not. It is merely one of several enormous social-economic systems, several of which run counter to it.

### *Capitalist America.*

Possibly one-half of all Americans are capitalists. They believe in and practice the six main rules of the money-and-profit system. Through individual initiative they exchange goods and services so that all parties gain from all transactions. They compete openly and never use underhanded tricks to gain unfair advantage over competitors. They are private owners who earn interest on accumulated capital loaned out, and make profits on invested funds.

But all other Americans play other games. They are either crooks or coolies. Some are opposed to capitalism and try to defeat its main rules. Their economic life is based either on some system utterly different from capitalism or else on no system at all. Others are not opposed to capitalism, but simply ignore it. They do not even know what the capitalistic system is. They

never have known. They never will know. They simply have nothing to do with it.

If half of our countrymen believe in and practice some other system or no system at all, obviously our economic life is not and cannot be based on capitalism. Many different economic systems may underlie its business. Or else the capitalistic system plus a series of disorderly, unregulated ways of doing business may form the so-called foundations of business. But capitalism as a whole does not underlie the production, distribution, and consumption of American wealth.

You advertise a house for sale which you say (and believe) is built on a stone foundation. I, a prospective buyer, wish to buy such a house. I answer your advertisement and send experts to inspect the house. I insist on a stone foundation. But the experts find that part of the foundation is of stone, part of rotted timber, part of brick, while the rest of the house rests on no foundation at all. You did not know this. You sincerely believed in the truth of your assertion. The facts, however, belie your statement.

The same thing on a much broader and more complex scale is true of the foundations of our economic life. Part of it is capitalistic. Part rests on systems wholly different from capitalism. Part totters on top of chaos. It has no solid

## WHAT IS CAPITALISM?

foundation whatever. When people tell you, therefore, that capitalism is doomed, they observe and report inaccurately the facts. *Chaos* is doomed. That's the only sure observation we can make today.

Not more than three out of five nonagricultural employers and workers or potential workers are capitalists. These pay and earn decent wages and salaries which yield them a fairly earned decent standard of living. All other non-farm workers are coolies.

### *Coolie America.*

Who are the coolies?

Hundreds of thousands are sweatshop workers. They work for a pittance. They do not make a fair exchange for their services, for we estimate a worker's value more in terms of a decent standard of living than by any other single measure. Decent living requires a minimum of about five hundred dollars per person per year.

Coolies never begin to see this much money. If they ever had any hope of saving money and getting ahead, it has left them long since. They are resigned to bread, with occasional butter. They cannot improve their lot. Often, like the coal miners, they live in poverty and squalor that a fastidious animal would shun. Always they live from hand to mouth with no hope of

better days. Coolies, too, are all those recognized idle people living on public or private dole—today about nineteen million all told.

Still others are nonworkers who are completely isolated from the capitalistic system. They have nothing whatever to do with it. They receive neither public relief nor private charity. They earn no wages, however meager, and seldom see money. Have you ever been through the most poverty-stricken counties of the South? If so, you have seen the squalid hovels and shanties of the wretched poor-whites and the most ignorant and animal-like of the blacks.

These are coolie Americans at their lowest. They have no jobs and never have had. They seldom see a dollar. Many a Georgia poor-white boy regards himself wealthy with a nickel a month. They subsist in filth. They keep a pig, a few chickens, and a puny vegetable garden. Like the turnips in the field, they breathe and take nourishment. Like the turnips they pass away.

But the end of the list of nonagricultural coolies is not yet. For you must add another eight million *unrecognized* idle workers—all those potential workers who have graduated from high schools and colleges since 1928 and have never found jobs—or, at best, jobs paying bare living wages and offering little opportunity for im-

## WHAT IS CAPITALISM?

provement. Then include hoboese, tramps, wild boys, inmates of asylums, and various other drones-by-choice.

Not by the wildest stretch of the imagination can you call any of these millions capitalists. Either perforce or by choice, they lie wholly without the money-and-profit system. They fail to practice one or more of the fundamental principles of capitalism. Their economic life rests on an extracapitalistic foundation—or on no foundation at all.

Now turn to agricultural workers. Which of these are capitalists? Not more than one out of five.

Only a handful of farmers do business on a strictly capitalistic basis. They keep books in the best accounting fashion. They work hard to make decent profits. They strive to get ahead. They charge a fair price for their own services against total costs of running their business. Contrary to the practice of the average farmer, these money-and-profit gentry put a dollar-and-cents value on all work done by themselves and members of their families.

They make standard charges, too, for depreciation on capital investment and all other similar costs chargeable to any business run for profit. They compete fairly in distributing and selling their produce. They try to get prices covering

## CAPITALISM CARRIES ON

costs of growing and marketing plus a fair return on total investment.

But now look at the average farmer. How vast the difference between him and his capitalist neighbor!

Hundreds of thousands are coolies. They seldom see any money, never buy anything save the grim necessities, are always in debt, and die young of disease and exhaustion. Most of them are in the South and Southwest, and scattered through the worst of the vast drought area of the Great American Desert. You find some in almost every section of the country.

Slightly better off are millions of border-line farmers. These noncapitalistic farmers till quarter-sections and half-sections, as a rule, most of which lands are reasonably fertile. They never keep books. They never charge for their services and those of their families. They never know where they stand. Sometimes they have money for essentials. More often they call themselves lucky to have a little cash now and then and to escape starvation. When they sell produce, they make no attempt to get costs plus fair return. They usually lose out completely from every transaction.

Even in good times, these wretches take in gross cash receipts of not more than about \$925 a year. But out of this, of course, must come



## WHAT IS CAPITALISM?

all operating expenses payable in cash other than wages. And the entire family must be supported by the balance. During the depression, average farmers of this type had only \$540 left after bills were paid. Out of this they had to keep their families alive and well for a year. These farmers usually have at least three children; so each family member has only \$108 a year for all expenses. Figure it out any way you like, this is not business within the money-and-profit system.

### *Criminal America.*

Now we come to the crooks. Their business practices are not only not capitalistic—they are out-and-out violations of capitalism. They oppose the system. And they chisel in on it.

Crook America includes the relatively few Americans who thrive by getting something for nothing. Its members are both petty and big-time crooks. Do not think of these anticapitalists as merely the gunmen, thieves, thugs, gangsters, and highwaymen whose sordid exploits fill the front pages of our newspapers. The latter are small fry. The worst menace lies in the alleged Big Business Men who violate the rules of capitalism by slick tricks wholly within the laws devised and interpreted by crooked lawyers.

The power of this gang of wolves is enormous. They rock the foundations of legitimate capitalism. They gain their ends by jeopardizing the well-being not only of the sincere capitalist but also of the coolies, whom they shamefully exploit. They fleece capitalists and coolies alike.

In "normal times," *they chisel almost 25 per cent of our total national income from the rest of us*. Today their pickings are somewhat more meagre—but not much.

How do the crooks filch this money from you? By selling you worthless stock, or fine new suburban lots that lie safely beneath the sea or by any of ten thousand wily tricks whereby they line their own pockets and leave you holding the bag. Americans are suckers all. But their gullibility does not end with the looting of their pocketbooks. Sometimes it begins with the lining of them.

Here, for example, is a simple housewife who brags about the marvelous bargain she has found in a dress. She paid for it "only, my dear, \$1.98. And look at it . . . all silk, well made, beautiful style and material."

Take her at her word. Assume the product is all she says it is. The fact remains that somewhere a crook manufacturer chiseled a decent living out of a pitiful sweatshop slave. He compensates for low price by huge volume of sales.

## WHAT IS CAPITALISM?

to stupid consumers who unwittingly perpetuate his criminality.

Now if crooks and coolies had nothing to do with the capitalists, we could give capitalism a fair trial. The trouble is, they constantly interfere with the orderly practice of the six main principles of capitalism.

Coolie workers sell their services below a fair market price *within the money-and-profit system*. And behold chaos!

Here are four stenographers of equal ability applying for the same job. Three hold out for a decent living wage. But one is willing to take the job for ten dollars a week. As a rule, even among so-called scrupulous employers, the ten-dollar-a-week stenographer is hired.

Here is a large factory that had to reduce its forces during the depression. A foreman earning \$125 a month was laid off with the understanding that he would be reemployed when conditions improved. In 1933, he was reemployed, but at half his former wages. He has to support a family. The management, however, refuse to pay him a living wage. They argue that government restrictions prevent this. They have increased their payroll from time to time, but never to the benefit of this long-time employee. If he protests he will be fired, for thousands of coolie workers clamor for his job. Thus the whole wage level

of this type of factory foreman is driven down to a basis far removed from the fair exchange of services.

Thus with other coolie and crook practices. Just one coolie farmer can wreck prices for ten businesslike farmers. One barrel of potatoes sold by the peasant farmer below cost drives down prices for all potatoes at the same time and place. One hosiery manufacturer who exploits sweatshop workers and uses underhanded tricks to get business ruins the hosiery business at the same time and place for all other manufacturers of the goods.

Now, obviously, capitalism cannot carry on under the lethal attacks of crooks and coolies. Yet Big Business cries havoc when the federal government steps in to aid in driving out both. Our staggering capitalists work themselves into a fine frenzy lest government or other interference doom the system that has long been struggling for supremacy.

Their fright betrays ignorance. For they fail to understand the enormous flexibility of the capitalistic system. The six-phase capitalism we try to practice is by no means the only possible capitalistic system. And thus far no interference, actual or threatened, has put an end to all six phases of the money-and-profit system. Indeed, attempts to modify the system

## WHAT IS CAPITALISM?

seem to simplify rather than to doom it to extinction. Furthermore, some five-phase system—or even a still less complex one—may prove vastly superior to our existing money-and-profit economy under the conditions of today and tomorrow. And no conceivable modification would greatly change the pattern of human relations.

Let me illustrate the startling variety of systems of order simpler than our own. Yet each one preserves the essentials of producing, distributing and consuming the necessities and comforts in a manner that can work out to the satisfaction of most reasonable people, *if* intelligently carried out.

### *Other Kinds of Capitalism*

It is conceivable that six systems, each having its own peculiar combination of five phases, might work out well, under special circumstances. They would be:

1. Our system minus individual initiative;
2. Our system minus private ownership;
3. Our system minus fair exchange;
4. Our system minus fair competition;
5. Our system minus interest; and
6. Our system minus profit.

A word about each. The first of these would be exactly like our own except that the state

would assume full authority over vocational guidance, training, and direction. Each child would be tested, found gifted or defective in certain respects; would be trained to make the most of his abilities and to correct his disabilities as far as possible; and finally would be assigned to tasks for which nature and nurture had prepared him. No individual freedom in picking careers or in starting new enterprises would be tolerated. Bureaus and committees would settle everything.

Some defenders of capitalism argue that individual initiative is needed to get results. Over against the firm, quick decisions and the brilliant planning of business leaders, they set the slow, groping, give-and-take methods of governments and lesser bureaucracies. They dig up records to prove that public management costs more than private. They point the finger of scorn at the Post Office Department, which is forever going into the hole.

This is unfortunate. The critics observe and analyze badly. Truth is, some things are done better by individuals, and other things are done better by groups, some of which are private and some public. No universal rule holds. But certain tendencies favoring now the private and now the public manager may be pointed out.

## WHAT IS CAPITALISM?

When time is the essence of success, *and time alone*, the individual does better than any group. Is it not plain that one mind reaches decision faster than many minds which must adjust to one another before action is possible? One surgeon is better than the ten greatest in all the world, if the patient will die unless operated upon within ten minutes.

Again, when everything depends upon the persistent, unfaltering execution of a single program, well laid down from the start, the individual often surpasses a group, provided the task is one which a single person can handle. Groups tend too easily to develop differences of opinion while under way. Some wish to change plans after commitment; others think it best to stop entirely. Many a failure has been caused by nothing more than such frequent differences of judgment which, though smoothed out eventually, delay action just enough to mar results.

There has never been any economic system which has given free rein to all individuals in it. Nor has there been one which curbs all individuals in all their acts of will. Capitalism and every other system always allow certain freedom here, a little more there, and less elsewhere. Every method of making and distributing things shows peculiarly complex degrees and distribu-

tions of freedom and compulsion. Capitalism might flourish with much less personal freedom than we now enjoy in America. So the first system I have listed deserves serious consideration as a possibility in any reform.

The second system would differ profoundly from our own. Indeed, it is hard to visualize it in a world like this one. It may be workable only on the dark side of the moon. For it allows nobody to own anything. (True, there are several variations of the pattern which allow restricted ownership. Of these, presently.) Yet it permits individual initiative, competition, interest, and profit. Odd as it is, it is not absurd. For a Communist state might allow its citizens to pick and choose careers for themselves. It might place the abler individuals in charge of state-owned businesses. It might allow them to compete among themselves for the favor of consumers. It might allow funds accumulated in one state-owned business to be loaned to individuals who wish to start something new which, if successful, would become state property. And it might allow one state-owned business to make a profit (or take a loss) by launching a new enterprise.

Freakish? Yes, rather! Impossible? I don't know. I'd like to see the experiment carried out rigorously.



## WHAT IS CAPITALISM?

In at least two forms, the third system (our system minus fair exchange of goods and services) is being practiced in America today.

At its most dangerous extreme, it flourishes in Criminal America. A few million criminals systematically undermine basic capitalism by consistently refusing to exchange goods and services fairly. Instead, they try to get, and often succeed in getting, something for nothing. If this is not possible, they chisel from all comers as much as they can for a minimum return. That the criminals prosper handsomely in practicing five-phase capitalism without fair exchange is clear once you inspect our yearly bill for crime.

The deviate capitalism of the out-and-out criminal obviously does not include fair exchange. Other deviate capitalists within the same five-phase system, however, refrain from fair exchange through practices less patent than sheer criminality. In varying degrees they get both goods and services for much less than fair cost in money by such practices as exploiting workers, exploiting business men through unfair and shady receivership processes, and through endless similar methods, usually sanctioned by law, of getting something for close to nothing.

Still another aspect of the five-phase capitalism without fair exchange tends more and more

to be practiced by honest capitalists who neither wish nor try to exploit and to get something for nothing. They are more or less unconsciously adapting themselves to two major trends throughout the world that make obsolete the old methods of estimating the value of human labor.

Thanks to technology, on the one hand, and the declining birth rate, on the other, the worker today has only a tiny fraction of his value of a quarter-century ago. Whenever a machine or a process enables one man to turn out as much as two formerly turned out in the same time, the cash value of all workers in the field obviously declines. In the old days when people were breeding fast, and the world population was rising by the millions every year, the extra mouths to be fed served to offset more or less the extra output of workers. But now only the lowest grades of humanity are spawning as of old; the Japanese and Italians are holding the old sexual pace, but nobody else is. So the ancient basis of fair exchange of labor for wages is being destroyed. It is not inconceivable that capitalism of this odd new type may be accepted in some countries. Workers who lose out will be supported by the state on a subsistence level and forbidden to have children. Stranger things have happened.

## WHAT IS CAPITALISM?

The fourth system would resemble our own much more than you might at first imagine. Yet it would differ profoundly. Either the state or powerful economic groups might forbid competition in the ordinary sense of the term. Thus, a board might determine how many retail grocery stores best served a given region; it might then command a given number of grocers to occupy certain sites which would prevent competition among the stores. It might forbid each grocer to solicit or to accept business from outside his assigned zone. But it would still leave all citizens free to decide whether they would become grocers and whether they would seek sites as prescribed.

Likewise with industries and jobs and professions. Either the state or associations could conceivably stamp out competition by continuously determining the relation of production to consumption and by allocating areas to enterprising individuals in every line of human activity. We see many moves in this direction today.

Do not confuse capitalism-minus-*fair*-competition with capitalism-minus-*free*-competition.

Capitalism does not depend upon free competition. If it did, there never would have arisen a capitalistic system. For free competition is pure fiction. It never was. It never will be. Not

even in minor realms, such as sport or boot-blackening, can it arise—much less persist.

Kissing goes by favor. So does much business. Men combine in deals because they know one another and fear strangers. Again they combine to save money through centralized buying or selling. Fathers give sons preference. Mothers set daughters up in business and send family friends around to patronize the new shop. Rivals stab each other with invisible daggers. Slander undermines one, double-dealing another. Gang battles with gang. Neighborhoods strive to maintain themselves against others. And over all tower the national gangs, the governments and the mighty cliques these represent.

The urge to survive prevents free competition. Few people keep any fine scruples when confronted with failure and defeat. Disaster doth make scoundrels of us all. Old, successful people, as they approach the end with declining powers, resort to trickery in order to hang on a little longer. Lover cheats for lover. Youth conspires to oust the Old Man.

Never was competition less free than in the days when the Manchester school of so-called economists came out with their naïve rationalization of the wishes of the rich men of Manchester, who were shipping Bibles and rum to all people unblessed by the fruits of the new

industry. Court politics, Foreign Office connivings, bribery, murder, and every imaginable knavery were copiously indulged in by the zealous free traders of Britain in those rough days.

A system of *laissez faire* never existed save in remote and isolated regions having no government and blessed with ample food, drink, shelter, and ease for its handful of natives. What men have called by the name of *laissez faire* has always been something quite different; it has been a system in which the clever and the unscrupulous have more or less successfully rationalized their own practices and have "got-ten away with murder." Imagine, if you can, a large zoo where the tigers and lions got together and persuaded their keepers that the ideal animal world was one wherein all cage doors were left open, and all animals were left free to work out their own salvation, each in its own way. The keepers open all doors. The little woolly lambs, the trembling fawns, and the shy rabbits begin to notice certain peculiarities of *laissez faire* to which the tigers and lions did not call the keepers' attention.

Free competition never has existed and never can exist in a world peopled by diverse minds and bodies.

The fifth system is easy to understand. It would be exactly like our own, except that

nobody would draw interest on savings or on loans made to borrowers. The Roman Catholic Church throughout part of the Middle Ages forbade interest; so to this extent it proved the possibility of the system. Everybody would be allowed to save money and invest it in enterprises where profits might be made. And all the larger features of present-day capitalism would be preserved intact.

*Capitalism without Profits.*

The sixth system is the one toward which our own is steadily moving—but may never reach. Profits may vanish either through edict or through the natural outworking of technology. To make a profit, your money must be spent on things people can and will buy. But each field of production and service expands to the point at which more is offered than can be bought; so all profits vanish. An era of abundance automatically moves toward this outcome. No lawmakers need be invoked to legislate profits out of existence. They are by nature suicidal. Apparently interest may outlive profits. Money will be needed for personal uses long after new enterprises cease to attract capital. It will also be sought by governments for public uses outside the profit system.

## WHAT IS CAPITALISM?

Profit can disappear entirely without seriously upsetting the social-economic system. The ironic fact is, as Robert R. Doane\* has clearly demonstrated, that over a period of twenty-five years there never has been any profit if your accounting system includes everything over the decades. It is only by an abstraction which really is a falsification of facts that any profit has in that period accrued to any business.

Doane has studied the annual gross losses in the forms of business losses, government deficit, institutional deficit, and accidental or fortuitous losses in the United States from 1909 through 1932. The astonishing fact comes out that

. . . the great volume of these losses, usually 80 per cent or more, fall within the field of business enterprise. And of even further significance, these total business losses follow with remarkable fidelity, during all normal years, that of the total profits. . . . It is particularly striking that both profits and losses have mounted during the past quarter-century at exactly the same average annual rate of growth, and that during all normal business periods there has been a decided tendency for profits and losses to equal one another . . .

Capitalism does not depend upon any particular magnitude of profits, interest, salaries, or wages. These may be high or low, without changing the money-and-profit system. Hence to point out the rather obvious tendency of men,

\* *The Measurement of American Wealth*, New York, 1933.

money, and machines to become cheaper and cheaper, as the world is more fully stocked with them, is by no means to prove that capitalism is passing. It may pass, or it may not. A world in which interest rates were  $\frac{1}{2}$  per cent and profits 1 per cent while salaries and wages were three times as high as today would still be capitalistic—and possibly a more wholesome world at that. Volume of business, expressing turnover per week or year, might be so great that everybody would prosper more than now.

The conclusion I reach, therefore, includes at least this general and important statement: capitalism of the money-and-profit system type may regress considerably during the next century without involving any profound change in human relations. The regression may even reach the point at which no attempt is made to gain profit through money investments, and only a nominal interest—perhaps 1 per cent—is ever earned by money loans. Private ownership with individual initiative may substitute for the profit motive two others: gain in the exchange of goods, and the reward for labor or other services rendered. I cannot see that such a society, once it reached stability, would look very different from our own except that there would be no Wall Street, and no bank presidents in jail. Everything else would be pretty much the same.



### III

## *The Crisis of Men*

CAPITALISM carries on.

It will weather all storms, with reasonably steady helmsmanship. It calls for no genius to keep it afloat and on its course. But it must have steady hands, clear eyes, and a firm will supported by better than average intelligence.

For the crisis today is no ordinary business depression. It is revolution—not prospective, but actual. The changes of the past two years are nearly as profound as those which took place in Russia after the overthrow of the wobbling, degenerate Romanoffs and their feeble court clique.

I shall not describe every phase of the crisis, which deserves a whole encyclopedia. I want to strip away details and lay bare the Design of Chaos.

The crisis of men; the crisis of money; the crisis of machines—into these phases does the crisis of capitalism today divide.

Let us turn first to the Crisis of Men.

*The Chaos of Anthropoid Freedom*

Little boys should not play with razor blades. Little girls must not juggle lighted pinwheels. The man who is inferior to his tools gets hurt. The worker must master his tools in order to get good results and to spare himself injury.

Put a loaded gun into the eager hands of an ape, and you may be sure that somebody is going to get hurt.

What a string of moldy platitudes! And yet . . .

For the last hundred years the Western world has persistently flouted these simple rules of common sense. It has allowed—yes, even encouraged—dullards, amateurs, and mere children to play with the delicate and dangerous instruments of science and engineering.

Baboons have been pulling switches in central power houses. Chimpanzees have been picking to pieces radio-control rooms. Cave men have been throwing bags of money at one another. Paranoiacs have been sitting around directors' tables, yelping commands. Again the barbarians have poured into the imperial city and wiped their feet in holy places. Their gangster captains are even now regimenting the timid thinkers who have created the empire.

In short, dear reader, the money-and-profit system has been left to the tender mercies of a

rabble of greedy, grasping sharpers of inferior intelligence and training. When I say inferior I mean, of course, inferior to the tools and instruments they are trying to use.

These fellows defend themselves by pointing to diplomas they picked up at Yale or Princeton or Siwash. But no college course on earth fits the diploma bearer for the task of managing other people's money, or merging four and forty corporations, or revising price schedules, or building railroads. Only the professional and technical schools train people for such work, and they do not admit the sort of fellow who becomes a sales manager of a sock factory or vice-president of a country bank.

Who can perceive the subtle effects of a hundred-million-dollar transaction? Who can think through ten such transactions in a month? Yet vice-presidents of world banks have had to do just this.

Whoever understands a little of modern physics and chemistry knows that even relatively slight changes in mass, complexity of structure, and velocity transform the whole behavior of matter. He knows that still greater changes give rise to phenomena of radically new orders. But economists and business men have not yet learned this lesson. And this fact lies at the root of the present crisis of capitalism.

*The Menace of the Stupid.*

"We don't know a millionth of one per cent about anything. We are just emerging from the chimpanzee state."

So Thomas Edison used to say—with a fine burst of cursing by way of good measure.

His generation proved him right. Dull eyes, dull ears, and dull wits outnumber the keen by a shocking majority. In my *Short Introduction to the History of Human Stupidity* I attempted a census of the inferior. A few of my findings must be summed up here, because they throw light on the crisis of capitalism.

About 2,000 million people now live on earth. Of these, one out of every three is a child; there are about 1,330 million adults. How many of these are so handicapped that they cannot succeed in competitive business under a capitalistic system?

Fully 250 millions must be scored up here as being chronic victims of such diseases as malaria, hookworm, syphilis, and other grave afflictions which debilitate mind and body.

Another 200 millions join the ranks as a result of narcosis—all victims of morphine, heroin, chloral, and the like. Most of these are in Asia and Africa.

Another 250 millions are the senile, many of them prematurely aged as a result of climate, food, drugs, and overwork.

## THE CRISIS OF MEN

Another 250 millions are the insane, the feeble-minded, and the low-grade morons.

Another 250 millions are the high-grade morons and the sub-average minds, incapable of mathematics and logic above the rudimentary levels.

All these estimates, as you must know, are as rough as the under side of a barn floor. But they have been reached through a careful check of the best available reports in a score of countries. It is unlikely that they err on the side of overstatement. For we omit millions of people who must be handicapped by overwork, malnutrition, tropical climates, and other factors.

So take the result as you will. It indicates that, in all the world today, not more than 130 million people possess minds and bodies capable of planning their own businesses, figuring production costs, estimating on contracts, preparing budgets, and the like. Or about *one person out of fifteen!*

If the fourteen incompetents were excluded from mart and office, while the one competent was left in charge of business affairs, the world would be much better off.

But alas! Anybody who wishes may set up a store or build a factory or call himself an agent. He will always find people as foolish as himself to lend him money against fair promises and

an honorable name. He may even find a promoter who will underwrite him on a grand scale. He picks the wrong business, chooses the wrong site, opens up at the wrong time, uses the wrong media for advertising—and continues thus until the receiver takes over the remains.

Before the great depression, more than twenty thousand businesses went bankrupt every year in our country, with liabilities close to half a billion dollars, and assets sufficient to cover about half of these. And this does not allow for receivership racketeers who cop off a thick slice of the cash which creditors should have obtained.

These losses are a drop in the bucket. Most businesses which escape bankruptcy suffer continually from the ignorance and misjudgments of incompetent men in and out of their own ranks.

A fascinating book might be written around this dim niche in the Cathedral of Capitalism. The author would relate, among other things, the blunder of just one obscure vice-president of a New York bank, in lending millions to some Cubans under conditions which made it impossible for the bank to collect a dime. He would relate the mathematical blunder of a number-moron in a great automobile factory who cost the company millions through his errors in selling price. Could the whole truth be known,

we might find to our dismay that the number-moron has contributed more than anybody else—save only the racketeer—to the undermining of capitalism. We shall never know the truth. So let us guess on, in our best mathematical-moron fashion.

Now, as long as most of the world's resources were untouched, business expanded easily. To-day's losses were covered by tomorrow's gains. In a whole sea of garbage, even a blind pig would be able to eat. Thousands of incompetents kept going simply because pickings were easy. And they proudly boasted of their skill, claiming credit for their fat bank rolls. Most people were fooled, because they did not understand that all this was happening in a world where opportunities were increasing.

Today the world has ceased to expand at the old rate. Our own country is filled with people. No free land remains. No more fine corner sites for new retail stores! No more towns to be built on dollar-an-acre land and sold for a thousand dollars a lot! We draw near to an economic balance.

And now the mathematical moron feels the pinch. Two out of every three retailers must be put out of business. Three out of every four farmers must give up commercial farming. The slow, the dull, the impatient, the crudely crooked

are losing out in the race against the quick, the shrewd, the steady, the patient, and the honorable. As the world grows better, the lot of the old-style business man grows harder.

We hear the old-style business man clamor for a life line.

Shall we throw him one? Not unless we wish to be dragged down to the depths. One competent business man, no matter how strong, cannot long support the burden of fourteen incompetents. We must decide boldly whether we sink with the fourteen on our backs, or keep afloat without them.

*The Mathematical Moron.*

Capitalism has suffered cruelly at the hands of the mathematical moron.

Half of its ill repute comes from the blunders of busy people who cannot learn how to multiply and divide reliably. At every turn business calls for calculations as to interest, balances due, bills receivable, production costs, commissions, net yields, and so on. Money is designed numerically, to make this task easy. But most people will always find the task beyond their native powers.

More schoolchildren fail in mathematics than in any other subject. Most men who enter engineering schools drop out at the end of the



## THE CRISIS OF MEN

first year because they cannot understand calculus.

Not one newspaper reader in twenty-odd can grasp the elementary statistics given out by the United States Census Bureau. Not one in a hundred can comprehend the simplest business graphs. One-quarter of all bankrupts, when haled to court, disclose the incredible fact that they have kept no accounts whatever! And more than half kept books so inaccurately that they did not know where they stood from day to day.

Modern business calls for a high order of mathematical ability. Hence most people fail in it, for it is a rare gift.

A handful of leaders, like the elder J. P. Morgan, always have it; and they use it to the full measure of its powers. Lack of it turns the rest of the world into underlings or bankrupts, always guessing, shooting in the dark, betting on red because they lost last time on black, buying tips on race horses and stock prices, and subscribing to the Financial Forecasters' Foundation.

Now do you see why most people in business either look blank or shudder when you advocate economic experiments?

Being mathematical morons, they cannot follow through the computations of even a simple experiment. So they dread the method.

Rather would they fall back upon the favorite method of the incompetent—memory and archives.

*Slaves of Yesterday.*

Today one of the gravest weaknesses of capitalists is their fear of experiment.

Dreading possible loss of profits, they stubbornly resist costly research and flatly refuse to try changing their business organizations or methods, "just to see what happens." They trust to "experience"—meaning by that whatever memories they and their employees happen to have regarding a problem—and whatever interpretation they happen to place upon those memories.

Their spokesman here is that overrated citizen, Al Smith of the Brown Derby and Withered Wit. In his magazine, the *New Outlook*, this old Tammany wheel horse once declared himself thus:

I am for experience as against experiment. . . . If I must choose between the leaders of the past, with all the errors they have made and with all the selfishness they have been guilty of, and the inexperienced young college professors who hold no responsibility for public office, . . . I am going to be for the people who made this country what it is.

It was this animal trust in What People Say that led Al and his Tammany friends to build

## THE CRISIS OF MEN

huge buildings all around Manhattan, some years ago, in the face of warnings from statisticians and sociologists who studied population trends and investment trends that lay beyond the experience of shrewd business men. This same animal faith is now costing Al and his friends dearly. Indeed, they have lost millions in stupid investments—because they trusted to experience.

So with business in general. It is always going to pot because it looks backward in its search for a guide to tomorrow. It believes in magic. It thinks that those who have succeeded can tell us how to succeed tomorrow—a silly idea rarely exemplified in practice.

It is sound only in so far as the world of men stands still. In bygone days, to be sure, things moved slowly; hence the notion was sounder then than now. Now the web of life must be spun afresh each morn. We are all Penelopes, weaving by day and unweaving by night. We invent, rearrange, hit on fresh schemes, move to strange places, adopt novel measures with each turn of our sphere.

Precedents fail us, and maxims are of little avail.

Monumental ignorance prevents us from grasping the tremendous range of new fields of exploration, research, investment, and development. And at the same time our deep timidity holds

us back from bold experiments in the few fields we do observe.

This all-encompassing human stupidity and this fearfulness aggravate the tendency to invest new capital where old capital has been successfully placed. It seems the sure way, and it is obviously the easy way. No imagination is required to do what others have long been doing. The sheep runs with the flock—and bleats at the shearing which follows. Rare the man who sticks tenaciously to the rule of avoiding those investments which everybody else is favoring.

The capitalist has seldom grasped the nature of Progress. Nor has he been able to stretch his horizons even to the bounds of his own children's lives. When he talks about investing for the future, he means about what the bee may mean in bee semantics as it stores honey in its dark hive.

Tell him that he may get no dividends on an investment for four years, and he shudders. Suggest that he may not get out a dime for ten years, and he at once discards the proposed investment as absurd.

He has difficulty in spanning the years of his own career. He is not a whit keener in this respect than is the common worker who cannot, in his twenties and thirties, take his future problems of the sixties and seventies seriously.

He suffers further under the universal superstition that the more he has now, the more he is likely to have in the future.

For this we cannot blame him, unless we wish to blame the entire human race. It is a discovery of only yesterday that possessing much is no guarantee of retaining much. Overpossession today brings on underpossession tomorrow. This is but another way of saying that hoarding and reinvesting in established fields speed up and intensify disasters.

*The "Business Cycle" Superstition.*

Those who try to think mathematically soon get out beyond their depth. Witness the whole sad history of forecasters who build fine theories about "business cycles."

Financial and economic literature of the past quarter-century are packed with elaborate graphs and equations on this subject. Mighty prophets have arisen on every hand, only to crumble in the dust when the date on which they predicted either the millennium or the Day of Judgment came around.

The so-called "periods" and "cycles" of business activity are pure illusion. Chance makes them, and dull wits read into them such signs and omens as the Roman augurs used to read from the entrails of freshly killed birds.

The influences at work in human affairs are past counting. Each influence changes according to unknown and obscure influences. A difference of a billionth of an inch in the length of waves emanating from the sun dries up the continents and burns the cities, thus wrecking all of little man's calculation and schemes. A cheese mite dwelling in the heart of a great Gorgonzola can forecast the cheese market almost as ably as our economists and stock-market charlatans can predict trends in money, credit, trade, and profits.

Are you a reader—one in a hundred—who has a mind equal to half an hour of close logical and mathematical reasoning? Then let me urge you to devote that time to an address given before the American Association for the Advancement of Science, on June 21, 1934, by Edwin B. Wilson, of Harvard.

A well-grounded mathematician with rare aptitude for social and economic statistics, Wilson reduces to simplest possible terms the facts about ups and downs of business. To put his findings broadly, he shows us that specialists in a limited field of business—such as wheat, steel, automobiles, and money rates—can, perhaps, as a result of the close daily contact with all details of their fields, make pretty good forecasts about these fields. But he shows that neither these forecasts nor others reached through other meth-

## THE CRISIS OF MEN

ods aid us in detecting broader trends of business at large.

As these broader trends influence the stock market in ways altogether unknown, forecasting this market is impossible. It is beyond us today. Perhaps tomorrow somebody will discover the trick, and the world will be transformed.

Leonard Ayres worked out an ingenious index of business activity, month by month, back to 1790. Wilson studied this for possible cycles—and found absolutely none! He was unable to pick any of the ups and downs as a basis for prophecy and get results better than blind guessing.\*

Here we are, in the midst of the world's worst business catastrophe, and everybody is guessing.

Bankers guess that things are going to grow worse before they improve. Speculators guess that silver will go on climbing. Defaulted mortgage-holders guess that things will pick up in a year or two. And I guess that guessing gets us nowhere.

Yet—confound it all—we have to guess. If we didn't, we would do nothing at all about tomorrow.

We can be sure of at least a few things. We are absolutely sure that all the economists,

\* Wilson's address has appeared as an article in *Science*, August 31, 1934, pp. 193-199.

bankers, and other guessers who draw diagrams showing where we will be in 1937 must be cast out as if they were devils.

*The Menace of the Slow.*

Manipulating a billion dollars is not merely ten times as great a task as handling a hundred million. The effects of handling a billion are by no means a tenfold enlargement of the effects of handling a hundred million. New forces are released at the billion-dollar level. A bewildering "creative synthesis" is achieved—or blundered upon.

Let me compare money flow with a stream of water through a high-pressure fire hose. When the velocity of the water rises to a certain point, the water behaves, for all practical purpose, like a solid substance. Speed converts a liquid into a solid, if we consider only the results. Thrust your finger into the high-velocity stream, and it is cut off as neatly as if a surgeon's blade had whipped through it. Turn the stream against a limestone cliff, and it shatters the rock exactly as if a hundred sledge hammers had beaten it.

Thus with money, the almost perfect fluid of economics. Let a thousand men each spend a million dollars for any one purpose, in the course of a year, and you see one order of consequences. Let one man spend a billion dollars on this same purpose in a single day, and what a startling



upset ensues! It resembles not at all the effect of the thousand million-a-year spenders.

One of the chief differences here arises from the asymmetry between money tempo and human tempo. People have maximum velocities built into their nerves and muscles. They cannot move as fast as spiders. They cannot think as fast as the highest intellectual genius. So, when the velocity of changes brought about by buying and selling in the higher orders of magnitude during a period of rapid turnovers requires speedy readjustments on the part of tens of thousands of men, most of the latter simply cannot act; while many others act, but wrongly.

Trouble follows. Frightened men rush to the government for help. But the government acts even more slowly than those who appeal to it. In part it makes up for this low velocity by its enormous magnitude. But time is the essence of business activity, just as it is the essence of life itself. So the intrusion of government into these super-operations may make matters worse rather than better. The predicament of our own government, in its efforts to control the direction and volume of flow of capital, illustrates this prettily.

### *The Menace of the Clumsy.*

Every hour of the day and night, four Americans are killed or gravely injured in automobile

accidents. Since the first World War ended, we have lost a sizable army on our perilous highways. For every drunkard dying in his cups, six die in motor disasters. All suicides and murders combined fall a little short of the automobile deaths.

Heroic efforts have been made of late to end this horror. Yet, as I write, the accidents are still increasing, save in a few towns. The nation's record grows blacker, and there is no light ahead.

Why not? What lies at the root of this frightfulness?

It is the result of one unique chain of events, and nothing else. It is the result of turning the fruits of technology over to people who are not mature enough to use them.

The automobile and the modern highway are triumphs of science and engineering. But millions of the people who drive cars over highways use minds and bodies shaped by a million years of jungle and cave life. They are primitives. Little do they differ from bushmen and hill tribes. Others who are superior make poor drivers because they are too young, too old, nearsighted, crippled, or deaf.

Thousands who easily handle cars which travel no faster than twenty-five miles an hour cannot drive cars at forty. They do not coordinate eye, ear, and arm muscles fast enough.

Other thousands who get along pretty well at forty an hour come to grief when they step up to fifty or more. And not one driver in a hundred can be trusted at speeds above sixty an hour.

Similar inabilities crop out among highway officials and patrols, and, to a lesser extent, among automobile designers, who often assume that drivers are more skillful and reliable than they are. The accumulation of many incompetences slays thousands.

Why tell this in a book on capitalism?

Because, in the deeper trend of our economic system, we see this same trend of the automobile age magnified ten thousand diameters. The original capitalists of the centuries before the steam engine and the spinning jenny were simple people, but not so simple as the masses around them. They were middle class, the shrewdest and most ambitious of their race. Out of their loins sprang all our geniuses, our leaders, our scientists, and the other men who created the technology that now plagues us in the midst of our blessings. They developed habits suited to their time and place. They combined these habits into immense world-wide institutions of trade and banking. They achieved a remarkably smooth way of life. And then—in crashed the Machine Age!

After a century of accumulating inventions, the descendants of the old middle class and of the old masses find themselves lost in a maze of levers, switches, vacuum tubes, cathode rays, continuous integrators, factoring machines, and ten thousand other contrivances. They know what a few of these things do, but how each works is more mysterious than the origin of the moon. Not a soul grasps the full panorama. The crisscrossing of influences exceeds the perceptive powers of common man.

In this labyrinth men try to carry on business in the same old way—which is strangely like trying to drive an automobile with a pair of reins taken from an old harness.

Some of the old tools produce fearful results, as a tack hammer might if you were to thrust it into a hydroturbine at Niagara Falls. Money, which worked little harm when used in small communities, in small volume, and at low rates of turnover, becomes a monster when bandied about in billions by radio telegraph throughout a world-wide credit system. Business men who get along swimmingly when buying and selling in thousand-dollar units once a week wobble and grow groggy when they deal in million-dollar units once every hour. In time they wreck the machine and their own fortunes, simply because they cannot think broadly enough and fast enough.

*The Menace of the Worthless.*

By the "worthless" I mean all those people who have lost or are losing their money value as a result of the advances in organization techniques, scientific discoveries, and inventions. Here you find many bankers, promoters, salesmen, artists, teachers, merchants, and workers in the crafts and lower levels. Radio and talking pictures have thrown into the ranks of the permanently unemployed more than thirty thousand highly trained musicians. That is, these unfortunates will never again earn a living at their art. Whatever they earn will be made in other fields. The cheapening of long-distance telephone rates has thrown out of jobs thousands of the old-time salesmen who inhabited Pullman smokers and small-town hotels, on their way to prospects. Within another ten years, we shall have still lower long-distance rates which will make superfluous many more salesmen. One man will then handle, from his desk in the home office, more prospects than have been handled by ten of the Pullman wanderers. Thus, too, in a hundred other fields.

The worthless multiply as you move down the scale of skill and experience. Hundreds of thousands of carpenters, plumbers, masons, painters, ditch diggers, farm hands, and other toilers are almost wholly worthless today. No

matter how excellent their character and training, no matter how deserving from a moral point of view, they have no cash value simply because other workers are at hand to produce everything that can be sold. In a money-and-profit system, surplus workers are truly worthless in the bookkeeping sense of the hateful word.

Other millions have little worth simply because they contribute little to the selling price of the goods on which they labor. A house painter uses a modern high-pressure atomizer in painting my dwelling. In terms of his own time, energy, and ability, he has contributed a tiny fraction to the total value of the building. Were he rewarded strictly in these terms, I would pay him much less than enough to keep him decently alive and well. As with him, so with clerks, conductors, elevator boys, valets, watchmen, and many others who are not wholly superfluous.

*The Stone That the Builders Rejected.*

Technology works in two opposed directions. It goes one way when it remodels an old industry and just the reverse way when it creates a new field. I find nobody who has observed this singularly important fact. Much confusion has developed as a result of overlooking it.

The two processes may be simply illustrated

## THE CRISIS OF MEN

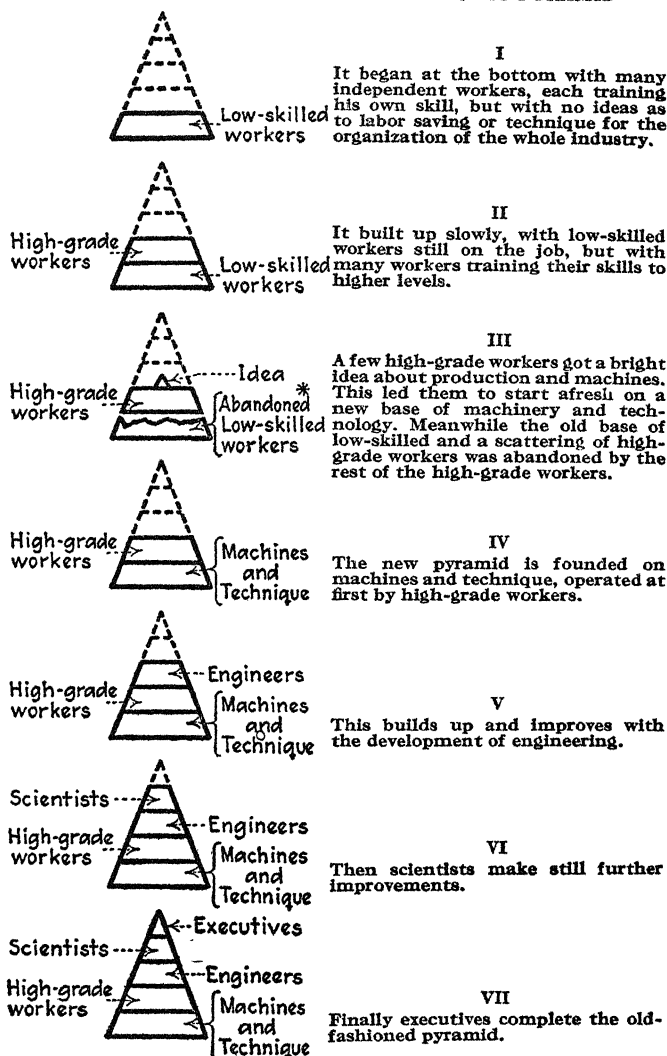
with diagrams. Let us draw two producer pyramids. The bottom of each represents the lowest level of workers, while the apex symbolizes the highest creative skill at the top. Unlike the pyramids of Egypt, ours are built in opposite directions. One from the bottom up, in Pharaoh's best manner. The other from the top down. We shall call the former Old-fashioned and the latter New-fashioned.

The Old-fashioned Pyramid was started away back in savage epochs. It took form long before people had anything like modern science and technology. The potter, the basket maker, the cobbler, the weaver, and all other early workers built their industry up from the levels of low skill. Thousands of years were spent on the building before they got up into the higher levels of skill. Then, suddenly, something strange happened.

As the builders drew near to the apex, they found new and better ways of constructing the whole pyramid. They eliminated the entire bottom layers, which are always the largest. With these out, it was possible to make a better pyramid much more cheaply. So the builders abandoned the old foundation and started afresh, on a new and much smaller base of higher skill. The old base of low-grade workers became a mere ruin in a desert.

# THE SEVEN AGES

## WHAT HAPPENED TO THE OLD-FASHIONED PYRAMID



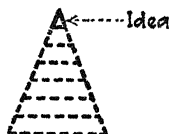
\* This abandoned base of low-skilled workers is replaced by machines and techniques. At this stage of the Old Fashioned Pyramid low-skilled workers become worthless to and are gradually forced out of the capitalist system.



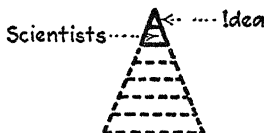
# OF INDUSTRY

## WHAT HAPPENS TO THE NEW-FASHIONED PYRAMID

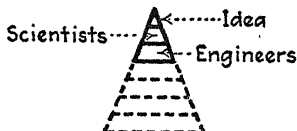
I  
It begins with an Idea.



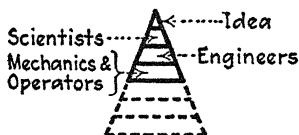
II  
This Idea slowly builds down to earth, with research;



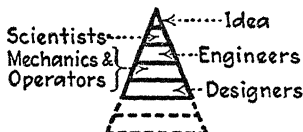
III  
And then with experiments;



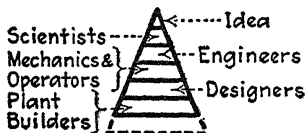
IV  
And then with field tests;



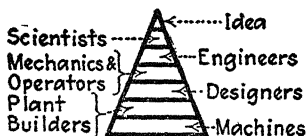
V  
And then with the designing of machines to make the product;



VI  
And then with a plant;



VII  
Into which the workers of upper levels of skill pour, and the thing is finished.



## CAPITALISM CARRIES ON

Now turn to the New-fashioned Pyramid. It starts at the top and works down; that is it begins with new ideas, equations, statistical studies, laboratory experiments, and finally gets down to earth. The workers, all of the highest types at first, find a new product to offer the public. They design machines and processes before they start business. So, you see, they erect their productive pyramid on the firm basis of technology and never have any mass of low-grade workers at the bottom. To be sure, now and then they remodel the pyramid somewhat by removing a few workers in various levels from time to time; but they do not often tear down the whole structure, throw away the mass of workers, and make a new start, as in the case of the Old-fashioned Pyramidists.

Some people have supposed that the New-fashioned industries absorb all the low-grade workers discarded from the Old-fashioned. But this is not borne out by observations. Three trends do occur:

- I. Workers discarded from an industry in one nation are sometimes reemployed for the making of goods to be sold to other backward nations; but the time comes when the other nations make their own goods and so throw the other fellows out of work again.

## THE CRISIS OF MEN

2. Workers discarded from an industry are shifted into related fields to take charge of distributing goods and rendering services to customers.

3. Workers who can be employed neither for export trade nor for services are swiftly forced out of the capitalist system into a subsistence system or else into an anti-economic system (of crime and racketeering.)

When technology first appeared on the scene, it was confronted with scores of Old-fashioned industries. So it tackled these first. Not until it had reorganized most of them did it find a breathing spell in which it could look around for new and more promising ventures. For more than a hundred years it was tearing down the antiquated production pyramids of workers who were still toiling as their great-great-grand-fathers had been. At the end of this age of remodeling, the earth was strewn with abandoned bases, with millions of low-grade workers whom nobody wanted. Today we are in a world-wide crisis resulting from these worthless people. It has been our misfortune that the first stages of science and invention have proved much more upsetting than all the later stages will be. For we have reached a definite end of a million-year-old culture based on human toil, on sweat, on

blood, on tears, on short lives of drudgery, and on defeat. The varieties of mankind which were indispensable of old are of little use to anybody now: the thick-skinned, the muscular, the dull plodders, the men with hoes, the anthropoidal hewer of wood and drawer of water. Yet these still outnumber the men of the New Age. And so they create problems of the utmost gravity, both political and moral. What should we do for them? What may they do to us?

Here is the heart of the crisis in capitalism. The worthless human being challenges the entire economic system. His protests have grown more threatening, as a result of the high-grade men and women who have been driven into his ranks. He is no Man with a Hoe. He is not even the Average Man. He is a cross-section of humanity, containing the best along with the worst.

What shall we do about him? What can he do for himself?

We might let him starve to death. Or we might put him on permanent doles. Or we might help him escape from our money-and-profit system into another one where he could get his own food, clothing, and shelter, keep well, and live on a decent animal level at least. Were we to choose this last course, we might conceivably follow either of two plans. We might pack him off to new regions and turn him into a pioneer, as the

## THE CRISIS OF MEN

English did with their worthless men a century or more ago. Or we might set him up in communities close to home, where he might retain old friends and visit old meeting places.

These are the only possible courses of action, unless we put him at work, as Roosevelt proposes, inside of our industrial system and pay him wages which bear no relation whatever to the cash value of his services. If we do this, we wipe out all profits and reduce the incomes of the middle class to a fraction of what they have been. In substance this would put the middle class at work supporting millions of people who could never maintain themselves unaided on the level of existence attained by technology. So, in one sense, this program would be a kind of charity. Everybody having the highest order of ability would devote his life to feeding and sheltering and schooling masses of lower ability.

This raises the whole issue of eugenics.

What if we throw away the old methods of determining the pay of a worker? What if we agree that it is contrary to public policy to give a man no more than the exact fraction of value which he adds, by his efforts, to a product?

What if we also abandon, as harmful, the practice of gauging his pay according to the number of other workers who offer their equally good services? Then we scale wages to consumer

## CAPITALISM CARRIES ON

needs, according to some living standard on which we agree. To what outcome does this lead us?

I see one phase of the outcome all too clearly. We must establish some new system of protecting workers against drones. The strivers must be protected against parasites, the competent against the hopelessly unfit. Otherwise we fall into a morass. In this world—more than half of whose population is either moron or insane or syphilitic or crippled or clumsy or vicious—how grotesque to ask scientists and engineers and administrators to spend their lives supporting such a wretched rabble!

Abolish capitalism, if you like. But be prepared for a stern, at times ruthless, aristocracy of eugenists as the only solution of an intolerable condition.

Is this menace fantastic? Alas, no! It is today a dreadful reality. The competent and the sincere and the forward-looking men and women of the Western world are already crushed beneath the load of charity and Christian kindness.

Healthy physicians and nurses give up their own natural careers in order to keep alive miserable lumps of flesh not worth salvaging. The hideous religious doctrine that "every individual is a soul and a personality equal to every other in

## THE CRISIS OF MEN

the sight of God" is swiftly ruining the best racial stock.

In a world where people breed like rats, the supply of workers is bound to exceed the demand. Intelligent workers struggle to protect themselves against low wages by organizing and by excluding unorganized workers from shops. The employers counter such moves by importing laborers from other regions of human surplus and by opening their shops to such workers.

It must be evident that the whole struggle is endless and fruitless, save in moments, as long as the world is full of cheap humans looking for a job at any wage, and as long as capital is free to move to the habitat of such humans or else to move the humans to its habitat.

There is only one scientific, thorough, permanently effective method of fixing and guaranteeing the value of human labor both to the laborer himself and to his employer. That method is the restriction of the gross number of laborers.

If you want to preserve the value of money, you must restrict the quantity of it. If you want to preserve the value of human skill, you must control the quantity and variety of it. Knowledge of electricity must become almost worthless on the market if everybody possesses it. Germany was overpopulated with technical workers thirty

## CAPITALISM CARRIES ON

years ago. Electricians, civil engineers, chemists, and even doctors were so plentiful that they earned no more than streetcar conductors and janitors. The same thing—on a lesser and not so ominous scale—is true in the United States today.

If you want to preserve the value of the Common People, you must not let them become too common.

We must soon come to regional control of population and migrant labor. Statesmen have been dallying over these two vexed problems. The time has passed for academic ponderings. Capitalism will collapse under the pressure of cooliedom unless areas of high-standard workers can be protected from low-standard workers elsewhere. It is no longer possible for a money-and-profit system to thrive at the top and rot at the bottom.

Any social scheme which enables low-grade people to multiply, at the expense of the high-grade, plainly dooms the race that adopts it. Any scheme which makes the unfit parasites of the fit comes to grief in time. If we give up one sort of selection of types, we must adopt another that serves us better, not worse.

In the beginning, men went out and took of this earth whatever they could hold against challengers. This went on until all the earth had been taken up.



## THE CRISIS OF MEN

Then parts changed hands—through death, murder, rape, conspiracy, civil war, pestilence, cunning, and what not. But for thousands of years enough was ever at hand, after a fashion; for the number of people seeking sustenance were few. Before men learned to till the soil, not more than 30 million human beings could live at all on this earth. At that level of technology, the balance between consumers and goods was pretty well worked out.

Trouble started after tillage came—and long afterward the shaping of metals, the fashioning of tools, and finally the developing of machines. Today we have a horrible unbalance. By checking pestilence, we aid millions to survive. By rushing food to famine areas, we add still more millions to the world's citizenry. By enforcing the rules of hygiene upon the swine which would wallow, we further aggravate the lot of the superior.

Here is the ultimate riddle of the Sphinx. When science brings mankind to its goal of something-for-nothing, will the few be willing to think, plan, and work for the many? Or will the few abolish the many in some progressive program of painless preventive eugenics? Will there remain on earth a mere handful of geniuses creating without effort all they wish?

The riddle must not be lightly dismissed. Answer it or be devoured! Already it is possible,

in practice no less than in theory, for the masters of nature to withdraw from the herd, to set up their own culture, and to create a system of production for use so much finer than the best we now have that the most fashionable suburb of New York City would seem like a pigsty beside it. I am speaking with the utmost precision. I mean that some ten thousand or hundred thousand scientists and technologists, aided by a quota of superior physicians, dentists, builders, and executives could, in the very hour when you read these lines, quietly step out of America and set up a city of strange design in any of a hundred remote spots where the white man thrives. These thousands have the funds, the experience, and the foresight to build into their new society every device for getting what they want with minimum effort. They could reduce the death rate enormously from the outset. They could cut the hours of labor to two or three daily. They could furnish themselves with every delight no less than every safeguard. The world forgetting, by the world forgot, they might dwell apart; and all their offspring after them down the generations.

The most momentous crisis in the history of our race is at hand. For the first time in a million years, the keen, the sensitive, the analytical, and all other superior human types are no longer

dependent upon brawny ditch diggers and dull nursemaids. In the past the clever have thought for the stupid, while the stupid have drudged for the clever. This has been fair exchange, and necessary too; for most routine work was hard and unpleasant, while all work of leadership and training called for much more ability than the herd possessed. But now labor-saving inventions have advanced to the point of emancipating the thinkers and planners from all stevedores and lumber jacks.

*The Menace of the Vicious.*

The stupid threaten capitalism because techniques have outrun the users. Being too slow, too clumsy, too dull in calculating, too sluggish in thinking, the stupid bungle with the tools of technology and intelligent capitalism, and sharpen the contemporary crisis.

But theirs is not the only threat. For in a world of dullards, the clever are public enemies. Perceiving many things which the stupid majority miss, they vex the latter sorely. Each such observation insults the herd intelligence. Acting on the basis of their superior perceptions, the clever succeed where the majority fail; and this rubs the low-grade fur all the wrong way.

The most ominous menace of the clever, however, occurs when they happen to be unscrupu-

lous, too; then they exploit, cheat, and strip the common people shamelessly. And, what's more, thanks to our low-grade morals, they become and remain among "Our Best People."

Ten years ago I went into one of the most famous and exclusive New York clubs. There I saw seated in the window two citizens who had recently escaped prison by the skin of their teeth, thanks to the super-skill of their rascally lawyer. My friend, who had brought me to the club, happened to be a member of the admissions committee. I asked him how the precious pair had got past the doorman.

"Oh!" he said. "They have been members for many, many years."

"Will they be members for many more weeks?" I inquired.

He looked at me with astonishment.

"Have you read the papers?" I queried.

"Oh," he said, "you mean the reports of that trial? Well, they were acquitted."

"Yes," said I. "But did you read the testimony?"

He replied rather reluctantly that he had. "And I don't think much of some of the things they did," he added.

"Do you think they belong in a gentlemen's club?" I asked.

## THE CRISIS OF MEN

"Well, to tell you the truth," he begged the question, "I don't think I would ever invite them into my own home. But I don't see what we could do here about them." And that ended the matter.

The two men were crooks. They were known to be crooks by most members of the club. Their lawyer, still a leader of the bar, is known to be a complete scoundrel.

Most of the so-called gentlemen's clubs in the United States still knowingly harbor criminals. They are no better than the hideouts of gunmen and dope peddlers.

But such is the degenerate ethics of American society that the expulsion of criminals from decent society is almost unheard of. If you doubt this, simply make a list of all the crooked financiers and business men whose criminal activities have been exposed during the last four years. Then look up the clubs to which they belong. Ask the secretary of each if they are still members. Let the answer to this question be mine. American society always has been home, sweet home to the big crook.

American business has always tolerated the Large-Scale Lawless.

Petty crooks are clapped into jail. The Big Fry go scot free—not only unmolested, but often obsequiously revered by imbecile citizens. Busi-

ness and industry knowingly hire crooks to fill important positions, either because of special skills, or to aid and abet shady business men of indifferent ability to get something for nothing through wily tricks.

*Our Moron Morals.*

For a full generation all genuine moral education has been suspended in America.

Here and there, primitive herd morals have been taught, but hardly one person in a hundred younger than fifty years of age has been trained to manage his affairs with moral intelligence.

The havoc caused by this stupid negligence on the part of our so-called educators and our so-called parents may never be measured; but it is apparent on every hand. Not through native degeneracy, but through the imbecile and yellow father, mother, and schoolma'am, tens of thousands of business men and technologists behave like boors, like swine, like criminals.

Many of our leaders are not fit to be invited into the home of any family whose esthetic tastes and standards of decency have been developed. Offhand I could write a list of mighty financiers, multimillionaires, college presidents, and eminent engineers whom I would bar from my dinner table, just as I would refuse to be served soup with a dead fly in it.

## THE CRISIS OF MEN

Our middle class is half a century behind the English in its culture, and fifty thousand years below it in its moral character. Englishmen view with suspicion a banker who becomes conspicuously rich. Some of the better London clubs have occasionally blackballed candidates simply because they, as bankers, had accumulated more money than seemed right.

Here you see a survival of the solid traditions of an earlier middle class. This is respectability at its finest. Middle-class men know how much can be made in each of the professions and semi-professions. They know that anybody who much exceeds these normal returns must have been indulging in shady transactions.

A village doctor who becomes the richest man in the county has been selling patent medicines or indulging in malpractice. A banker's percentages are known. So, too, is his volume of business. Thus his range of respectability can readily be calculated. If he wiggins himself upward into the multimillionaire class, nobody is fooled save himself. He, too, has gone in for patent medicines or for malpractice.

Here in America there is no longer even a vestige of middle-class respectability. Bourgeois morality has rotted out from under the foundations of middle-class business and society.

For a full generation, middle-class education has been rotten, and thus the present members of the middle class—which has become a rabble rather than a class—are so deficient in esthetic taste and moral insight that they will invite into their homes any rascal who wears a tailored suit and drives up in an eight-cylinder sedan. They call this “the democratic way of life.”

But the old Indians knew better. Said they: “He who lies down with dogs gets up with fleas.” And, surely enough, all of our middle-class folk are now flea-ridden and flea-bitten.

Some Socialist writers declare that this rotten morality is the inevitable outcome of capitalism. But, as I scan the records, it turns out to be the consequence of turning schools over to low-grade managers and teachers.

The capitalists did not force us to accept such sorry misrepresentatives of culture and morals. Half-baked intellectuals and pedagogues played us all a scurvy trick. The worst thing the capitalists did was to help pay for the imbecile system of schooling.

### *Making Crime Pay.*

One day masked bandits made off with the \$55,000 payroll of several Chicago factories. They were never caught. The payrolls were not



covered with insurance. More than 2,700 workers lost their weekly wages, until the employers and the banks made an adjustment. Let us see just what this robbery did to the economic system.

The factories, in the week of the crime, were turning out about \$200,000 worth of finished goods. The net profit on these would have amounted to \$30,000 or thereabouts. This was wiped out by the bandits, together with \$25,000 of capital goods—or of cash reserves, if you prefer. In other words, twenty minutes of gun play and clever handling of an automobile in traffic enabled four bandits to deprive 2,700 workers of a full week's wage and a score of factory owners of almost two weeks' normal profits on several million dollars. Incidentally, the robbery disorganized the plants and workers so much that more than half a day was lost afterward.

Now, every crime against property works out in much the same way, though usually through devious channels which hide the disaster from uncritical eyes. People who make things and people who render services always bear the brunt of thefts, forgeries, embezzlements, arson, and other outrages within the money-and-profit system. They may not be the first victims, but they are always the last—and that is what counts.

## CAPITALISM CARRIES ON

Workers support criminals. If so, then how many workers are required to carry the burden of our \$12,000,000,000 or more of yearly losses traceable to crimes against property? Let the average full-time worker earn \$1,500 a year—which is more than he now does earn. Then 8,000,000 of his kind must devote full time to this hideous task. If you like, you may reverse this picture. You may point out that crimes against property deprive 8,000,000 workers of their entire wages every year. And then you may notice that this looted army comes amazingly close to the 10,000,000 officially counted as unemployed. This is no idle coincidence. True, the unemployed do not owe their idleness directly to crimes against property. They lack work because, in hundreds of obscure and indirect ways, men have been undermining the system of basic capitalism.

If it is not Samuel Insull of Chicago, it is Mr. Harriman of New York. If it is not the Guardian Trust of Detroit, it is the Baltimore Trust of Baltimore. If it is not a crooked deal in stocks, it is a crooked deal in suburban lots. If it is not a loan to a crooked Old World government, it is a plunge in a Mexican oil well. Endless the parade, dazzling the variety of its frauds and slicker knaveries.

Technology favors the rascal and the thug unduly. It does this largely as an accidental result of its being too complex for the common man to grasp. It does it also as a result of a few clever fellows seeing ways of using it which even the technologists themselves had never foreseen. Finally, it does so because it facilitates the escape of knaves from a pursuing justice. All these circumstances combine to hamper honest capitalism.

The big anti-economic operator discovers early in the game that he is safest when—instead of stealing or otherwise outraging other people—he buys up crooked lawyers and legislators to have laws passed with little trickeries in them. These trickeries he understands; they enable him to “get away with murder.” The history of America is far too much the history of the crooked lawyer working for the anti-economic order.

Mayor LaGuardia of New York City was not far wrong when he remarked that, in the long run of history, the lawyer has been a greater curse to the human race than cancer. The lawyer has been anti-economic over and over. People still do not realize to what an extent the law has been built by racketeers. They ordinarily think of the racketeer as violating the law. But that is true only of the little fellow. The big

fellow passes laws to suit his own racket. In banking, railroading, mining and lumber, these anti-economic forces have predominated. And they perpetuate a constant clash between legalism and honest capitalism.

*Is Capitalism an Evil System?*

I favor education. But I oppose the educated rascal.

I favor capitalism. But I am down on the crooked capitalist.

I believe money is a useful invention. But I know many people misuse it.

Food seems to serve the human race well, on the whole. But I know gluttons who have dug their graves with their teeth.

Many critics of capitalism argue that all the evils of modern industry, finance and trade flow from "the system." To me this is too childish to debate at length. It assumes that the human animal is a victim of his environment to an extent past all credence. It implicitly denies that a man of character and understanding could behave with the same degree of decency in two or more cultures such as China and Iowa.

True, a system does favor certain types of behavior and hamper certain others. Brought up in a strict Catholic family, a child tends toward a way of life quite different from that

## THE CRISIS OF MEN

which he would be most inclined to follow if he were raised in a strict Mohammedan family. But would any sane person of experience argue that every misdeed of the former person was due to the Catholic system, and every dubious act of the latter person caused by the Mohammedan? Not even the almost forgotten behaviorists would go to that length.

If the environment moulds man, it also moulds systems. Capitalism is shaped by wind and weather, by wealth and poverty, by numbers of men and sizes of armies quite as profoundly as any individual. Indeed, some student would clear up many puzzles if he would undertake to describe at first hand the precise shadings of capitalism under the Greek sun and on the barren hills of Attica, up and down Italy's meagre peninsula, across Canada's bleak horizons, over the dark mountains of Sweden, and in the hot morasses of Brazil. He would find, I am sure, as many patterns as major environments. Just as the Catholicism of the Bolivian Indians differs from that of the Dublin Irish; just as the Republicanism of Mr. Ogden Mills differs measurably from that of a one-mule cotton farmer of African origin down in Georgia, so with capitalism.

Both men and their institutions are creatures of time and place. But both bring into the

processing certain characteristics which can be changed only within limits. Man brings his ancestral chromosomes. Institutions bring buildings, books, schools, laws, and rituals. The line of dominant influence runs from chromosome pristine to chromosome moulded by food and climate, and thence to institution. Systems are more deeply altered by men than men are altered by surroundings. Criminals make systems oftener than systems make criminals. Both events happen, to be sure. But a scoundrel lawyer who thwarts the aims of the noble institution of Law either by passing a tricky ordinance or defeating justice in the courts is a hundredfold commoner than the lawyer who is forced into knavery by the Law itself. A greedy man who at every turn pinches pennies and plays the sharper for the sake of a dime changes the pattern of capitalism in his locality a hundred times oftener than the existing capitalism turns men into greedy tricksters.

The prime mover is always personality—that is to say, an animal system of cravings and impulses variously organized from within. One of the results of millions of such prime movers over several generations is this clumsy, ill formed, incomplete constellation of attitudes, rules, precepts, and aims which we call capital-

ism. To improve this thing much, we must first improve its creators.

A committee of historians could readily prove from the records that most of the troubles which have swarmed down upon us during the past century originated either in native stupidity or in simple ignorance.

True, plenty of knaves have wormed their way to the top of big businesses and governments. But the people who aided their rise or tolerated it were, as a rule, not scamps; they were plain dunderheads. Lacking insight into the intricacies of modern economics and politics, these bunglers tried to work with tools and instruments about which they knew no more than an ape knows about a radio receiver. We all know the results.

Do these prove that capitalism is an evil system? Or that it will soon pass away? Hold these two questions apart with utmost care. They cannot be dealt with as one. Evil systems often persist. Good systems often pass away.

Now, we must all admit that IF capitalism, by its very nature, must allow little boys to play with razor blades in the name of liberty, then it is evil. Just how evil will depend partly on how many little boys will insist on playing with razor blades, and on how much other people will help them when they get hurt. If the money-

## CAPITALISM CARRIES ON

and-profit system cannot get along without granting to all anthropoids the precious right to pull switches in central power stations, just to see what will happen, then the whole system must be relegated to a museum.

What evidence is there that any such mad freedom is *built into the system*? Not a shred!

We design fire engines to extinguish blazes. We organize policemen to catch criminals. Certainly we can extend such efforts to prevent the pompous blundering of high-grade morons in seats of the mighty. Our first move in this direction is to know whom we must suppress, whom we must control, and whom we must admonish.

### *The New Control of Men*

Our system depends utterly upon the ability and integrity of ten or fifteen thousand men at the top. If they are right, they see to it that all their aides and subordinates will be right. Would it not seem reasonable, then, to adopt every feasible method of picking the right rulers and supporting them in their decisions? And is it not the height of idiocy to turn over immense powers to unexamined men who may turn out to be maniacs or cutthroats or stupid sons of multimillionaire fathers?

Today anarchy and not capitalism prevails in Big Business. And not a little of the resulting



## THE CRISIS OF MEN

chaos can be traced, step by step, from incompetents at the top down to demoralization in the ranks and bankruptcy among investors. When the radicals contemplate this scene, they clamor for an early hanging of all sinners. When conservatives of the old school are asked to suggest a way out, many of them shrug their shoulders and declare the situation is hopeless, simply because man is what he is.

"The faults of capitalism are all due to human nature. As we cannot change human nature, we cannot improve capitalism essentially. Nor can we shift to some other system to advantage; for human nature will still be with us, still go on behaving as it always has."

You'll hear this argument often. It used to persuade many people. Today, it has lost its power. We now know there is little truth in the old idea that human nature is changeless. We know how to start changing people long before they are born. Ask any up-to-date physician. We know how to change babies from day to day in a hundred ways. Ask any dietitian or any child psychologist. We know how to change some fat people to thin; some sluggish people to alert; some dull people to brighter; some blind people to seeing; some deaf to hearing; some narrowly selfish people to decently minded social humans. Within a few more years we can change still more

people in still more ways. The limits of such transformations are not yet in sight. Ask any physiological chemist. Ask any practical psychologist. Then study the amazing changes which have been observed in the children of immigrants by that great anthropologist, Franz Boas. Changes in bony structure, changes in sizes of heads, changes in skin, changes in temperament—all due to nothing but climate and food, as far as anybody can discern.

But can we hope to weaken the ambitions of the ambitious? Can we reduce the drive toward untrammelled action? Can we drive out the glory-mad, the money-mad, and the power-mad from our society? Yes, as fast as we educate the public to understand that we must do so or go down to ruin. The dangerous types of personality can be controlled; if not in one way, then in another. We lock up certain madmen now. We can lock up the more dangerous varieties quite as easily; and we can train people to shun them, to report them to the authorities. Almost every large city and every state is plagued by egomaniacs who find in political power an outlet for their perverted lust. I could name these animals in Kansas City, in Chicago, in San Francisco, and in many other places where citizens have vainly fought them for years. The United States Senate always has two or

three of them. Great corporations are never free from their menace. It is they who threaten the very foundations of capitalism and individualism in our country. For their cravings expand with every defeat and every success. Nothing satiates their diseased nervous systems.

Were the American Medical Association sufficiently civilized, it would require members to report confidentially all patients of these dangerous antisocial types who hold posts of high authority in government and in business. Our physicians are still a century behind civilization in this respect; so we must either educate them or find other means of discovering the enemies of society.

The faults of American capitalism today are due less to human nature than to degenerate types, to the ignorance of the rank and file about these types, and to the survival of pre-civilized customs which protect the private lives and defects of men in public places and seats of power. Our libel laws fail us here. You cannot come out in the newspapers and say that you oppose John Doe as candidate for governor because you happen to know that he has delusions of grandeur and secretly thinks he is Jesus. So John Doe often sails into fame and power on the strong wings of his delusion, while the rest of us foot the bill.

Had we schools which think in terms of science and civilization, instead of echoing dead cultures and petrified ethics, our teachers would long ago have bred the success cult philosophy out of sprouting young minds. They would long ago have developed in the rising generation a profound distaste of greedy, overreaching, gluttonous, deceitful, treacherous, and generally filthy money grabbers and power hunters. But, being both ill bred and cowardly, they have licked the feet of the powerful and painted halos around the gates of hell. Today the brighter among them begin to see what fools they have been, and are trying hard to reform. More power to them!

Though I have little faith in laws and still less in their wise enforcement, I think some good would come out of legislation requiring a clean bill of health from everybody who assumes a post of high authority and heavy responsibility in government and business. And a clean bill of health would mean satisfactory evidence of fundamental sanity and mental balance. We require something like this of bank tellers and chauffeurs and elevator boys. Why not of men whose acts may ruin us?

### *The New Class Society*

A century ago, when mankind suffered from a scarcity of the elemental necessities, Marx

naturally thought that society must be founded on property.

In 1848 Europe was a battleground on which two armies—the Haves and the Have Nots—were fighting to gain possession of goods. The capitalists held the instruments of production and hence most goods. The laborers had only their labor to trade for goods; and in the trade they lost title to the goods on which they worked. No wonder that millions of people agreed with Marx!

But Marx could not see that what, in his day and place, was supremely important might cease to be so as a result of advancing wisdom and cleverness. He could not anticipate the steady diffusion of goods and ownership; the amazing increase in the army of workers who bought small interests in the factories where they worked; the diminishing importance of “surplus value,” or profit; and the total blurring of the old property class distinctions.

Government, to Marx, seemed to be nothing more than the control of all subordinate classes of the dominant property class. It was doomed to give way to a classless society in which, to use his own words, “the governing of men will give way to the administering of things.” Society would appoint people to build bridges, heal the sick, repair houses, clean streets, and

plant forests. It would not maintain police to keep the public off the grass, or armies to enforce the rights of its citizens to collect foreign debts.

What neither Marx nor anybody else in his day could have foreseen was that discoveries about human nature and achievement would rearrange the entire social panorama during the twentieth century. Personnel managers and vocational psychologists now can prove rigorously that "the job determines the worker." Technology, in short, creates new classes which are already displacing the old property classes of the nineteenth century and earlier. The new classes are more numerous and vastly subtler than the old. They promise to produce, within another generation, an elaborate hierarchy of competence which resembles Plato's Republic much more than Marx's Collectivism.

They will express a wholly new type of natural and artificial selection. For technology, together with all its material products, is becoming our new environment. A machine is a more important item in this new environment than is a tree, or an ape, or a hurricane. It is a physical thing that affects us profoundly. To it we must adjust variously. Above all, we must use it. And this requires specific abilities. Organizations, towns, railroads, high-tension transmission lines

likewise are parts of the new environment; and these we must use also.

Each task has its own limits of tolerance. That is, the worker may deviate a certain degree from certain standard performance—but not a shade more. He may turn out an automobile crank shaft whose metal shows a hardness a few points off the ideal requirements; but if it exceeds those points, it is thrown out—and he will soon be thrown out, too, if he repeats the error. He may grind the shaft within a few thousandths of an inch of the ideal dimensions, but if he makes it larger or smaller by an extra thousandth, the shaft—and he with it—goes the way of all Misfits.

The old idea, still cherished by an astonishingly large number of people, was that almost any worker could perform almost any job well enough, if he had to. We now know this to be a serious misconception. The rudest jobs, to be sure, may all be handled by any six or seven men out of ten. And there are hundreds of such jobs, ranging from ditchdigging to serving as night watchman.

But, as we pass upward into the more important tasks specific combinations of traits are required, and the limits of tolerance grow finer. I have surveyed these in my previous study, *The Psychology of Achievement* (1930). They

cannot well be summed up here. Enough to say that each task calls for definite sensitivities of eye, ear, hand, and even tongue; definite precisions in movement; definite general intelligence; definite mechanical skills involving peculiar perceptions of space and time; definite capacities for analysis, mathematical computation, and imagination; and, above all, definite levels and outputs of energy, physical and nervous.

I am not speaking only of factory jobs and office work. I refer to all tasks, whether remunerative or purely play. I refer, for example, to serving as chairman of a golf club committee no less than to the making of a watch spring. I refer to every special task of conserving and transferring property no less than to acts of producing safety pins or pipe organs.

There must always be a sifting of people according to their success or failure in doing definite things. And each sifting tends to create a new class. Not necessarily a class of Haves or Have Nots. It may be a class of Doers and Don'ters. The common interest which builds up class consciousness has nothing to do with owning property. It may be an interest in metallurgy as such, or an interest in the structure of space and time.

Marx maintained that the "classless society" would concern itself solely with the administering



of things. Today we know that the gravest problem of the new era is the handling of men.

Machines are already losing the importance they had a few decades ago. So is money. But men grow more and more needful of management. Technology, as developed by physicists and engineers, must yield to social technology. Society must administer human beings far more thoroughly than it ever administered things. And for the excellent reason that men are remaking things with the old technology in a way that transforms our whole environment.

Man is the most powerful of all machines. He is the machine that makes machines. If he is a bungler, society must suppress him. If he cannot be trained to better ways, society must isolate him. If he is crude and fit only for simple tasks, he must not be allowed, through some pleasant delusion of grandeur or some silly philosophy of human brotherhood, to tackle jobs beyond his powers. This type of human control is exceedingly delicate. Few have the slightest grasp of it. It must be cultivated for many years before social technology can stand on its merits.

But it is inevitable. A material technology which cannot or will not manage people is doomed from the start.

## CAPITALISM CARRIES ON

Thus we move rapidly toward a new class society in which the skilled and the experienced tinker with the clumsy, the young, the senile, the malicious, and the pathological precisely as mechanics now tinker with automobiles. The capitalist class, as delineated by Marx, will lose its importance; it will give way to the social technology class.

## *The Crisis of Money*

CAPITALISM carries on—in spite of the knaves who would wreck it and the fools who do not know how to run it.

It is in the field of “high finance” that we find criminality and stupidity working together at top speed—a combination that more than once has nearly wrecked capitalism.

For money, by its very nature, lends itself to the bunglings of morons and the intrigues of the cleverest of Public Enemies.

### *Money Is a Public Utility*

Money is a natural public utility. Everybody must rely on it all the time, for the transaction of business and the fulfillment of pleasure. It must be as reliable and as uniform as the morning air with which we fill our lungs as we arise for a busy day. In one mildly dangerous sense of the phrase, money ought to be as free as the air. Not that printing presses should run off as many ten-dollar bills as each of us might like to spend, when we get up feeling lively. Such

generosity would defeat itself, for the bills would soon lose all value in exchange, and then we would have no medium of exchange left. A vacuum would asphyxiate us all. Money is free when everybody can get whatever he needs for goods and services rendered or soon to be rendered, *without having to pay for the privilege of getting the money*. We should pay the true costs of applying for funds, of being investigated, when needful; of having the money brought to us or to our banks; and so on. But we should never have to pay a cent for money merely because the holder finds it is scarce and has five applicants for every dollar he happens to have on hand for lending.

Apply the philosophy of scarcity to money, and you fall into the same fatal error that you would make were you to apply it to air or to water.

The dollar is no better than the bank on which you draw checks, for about nine out of every ten dollars paid in the course of transactions here in America are in the form of bank checks. Therefore, the bank, as medium, must be guarded not a whit less carefully than the Treasury Department which values the basic dollar and issues paper money. To treat banks and money as separate entities, and to permit one to be less stable and less reliable than the other, is to

invite disaster. We have suffered from the evil combination of excessively stable money circulated through shockingly unstable, unreliable banks. Other nations may suffer from the reverse—unstable, unreliable money circulated through highly stable and reliable banks.

The relation here is crudely like that between the water in a fire hose and the fabric of the hose itself. Each water pressure demands its own minimal strength of fabric. Two evils result: one from low pressure in a hose strong enough for all needs; the other from pressure too high for the hose. The first combination puts out no fires because too little water is delivered through the nozzle. The second puts out no fires because the water bursts the hose and spills out all over the street.

### *The Menace of the Money Traffic*

The trouble with our economic order is not money. It is the money traffic. Money being a public utility, it ought to be strictly controlled by government for the welfare of all who must use money. Laws must enable makers to get whatever funds they need to make goods. Other laws must help users buy whatever they should be enabled to use.

The crisis of capitalism today has been largely caused by dull people failing to grasp this fact

and by the overclever taking advantage of that stupidity. People have allowed shrewd operators to get control of money and to peddle it as if it were an ordinary commodity like socks or suspenders. The result is world-wide ruin. A handful of international bankers and their agents everywhere have wrecked capitalism. They have harmed the money-and-profit system more than have all the out-and-out criminals.

Money traffic is world-wide, swift, impersonal, unnational, cold, calculating, and destitute of all loyalties. Dealing in the medium of exchange rather than in goods or socially useful services, it resembles nothing quite so much as a world traffic in the air we breathe. Imagine a monster that found a way of removing the air from your town and selling it bottled to people in Tibet where the air is rare and very high. The monster prevents other air from rushing in to fill your lungs. All air must be peddled through the offices and agents of Air, Inc., which the monster controls.

Money is the air which business must breathe in order to function. Life is a process of energy transformation, and the oxygen in the air is the medium of that everlasting exchange of molecule for molecule, atom for atom, in the exchange which we call metabolism. Like all analogies, this one is accurate only in part.

*Money Traffic Is Not Capitalism.*

Money traffic differs from basic capitalism so much that the two can exist apart. Yet each depends upon the other in certain ways. Hence observers commonly fall into the error of regarding money traffic as an integral part of basic capitalism. This confuses many crucial issues. It does so the more easily because money itself is one of the most entangled and bewildering things. Few students ever master it.

Each country makes its own money, decides how much shall be made, and fixes its value relative to gold or silver or, at a pinch, the estimated credit of the government itself. Plainly, then, one country's money may be worth more or less than another's; and its value will change from day to day. People in one country must pay bills in another, hence they require the latter country's money; so they come into the money market and buy it just as you go to the meat market and buy sausage.

You need not be a financial wizard to see that the price of any country's money must go up and down, according to the amount offered for sale and the amount sought by buyers. It will also rise and fall according to changes in its intrinsic value as gold or silver or credit paper. Business trends determine the former series of changes, while politics and government deter-

mine the latter series. So here again we come upon the everlasting conflict between private and public affairs.

Now, I shall not perplex you with a dissertation on foreign exchange, inflation, fiat money, and the like. You must have heard more than enough on these subjects of late. But I must ask you to consider one simple fact which proves that capitalism is not to be flatly identified with money traffic. Here it is:

In the course of time, the more progressive nations of the world will surely adopt a single uniform money. Weary of interminable troubles arising from money traffic, they will cast aside their local moneys in favor of a world money. What then? The same bills and coins will circulate in Buenos Aires, Shanghai, and Chicago. The value of such world money will be fixed for long terms, so as to give it the highest possible stability. Its underlying security will be so high that nobody will question its soundness. As well doubt the value of this orb of folly on which we all live!

Very well then. Do you suppose that, with the advent of world money, all business would cease? Would profits come to an abrupt end? Would nobody invest his savings in a new enterprise in the hope of gain? These questions carry their own answers. The only change would



be the disappearance of money traffic itself, together with the hazards it causes to world business. The medium of exchange would improve, hence business would improve; for the uncertainties of wavering money values would have been abolished. You would make an auto, paying world money for raw materials and labor; and I would buy the car with world money. Nothing within the industrial system would change, except the money used for buying and selling. The money traffic would be greatly curtailed, but no producing or consuming would be reduced. Men would go on making profits, collecting interest, and owning property.

### *How Money Moves*

Capital moves away from places where it is cheap (and hence earns little) into places where it is dear (and hence may earn much). If capital can be safely invested at home to net 15 per cent, it will tend to flow to foreign fields where, with the same degree of safety, it can earn 20 per cent. This is one of the many reasons why, during a domestic boom, capital still flows out, provided only there is some active and attractive foreign demand for it. *Money never lingers in one place simply because it is earning "a good living wage" there.*

The flow of free capital is influenced almost wholly by moment-to-moment bids for its use. The effect upon producers and consumers is serious. Whenever a field of industry is unable to offer as much for the use of money as competitors are offering, it fails to get the capital it needs, *regardless of the importance of its products to society at large.*

The tragic illustration of this evil is agriculture. Farmers have been unable to secure capital even through governmental aid or usurers. Even during so-called prosperity, well-to-do farmers in states like Iowa and Oklahoma have had to pay from 12 to 20 per cent for secured loans; and in bad times they can get no money at all.

But producers of musical comedies, motion pictures, fashion goods, and other things yielding high profits have been able to get capital. And so have many foreign bidders.

Every dollar diverted to foreign investments is withdrawn from the producer-consumer circuit at home for some period. Be this period long or short, the essential effect is the same: somebody's savings have been withheld from use for consumption goods, and producers have been to that extent checked in the manufacture and sale of goods. *Furthermore, the bulk of money sent abroad is used to develop public works or private industries in such a manner that eventually*

*foreign workmen will live better and be able to produce more goods in future competition with American workmen and manufacturers.*

So far as our own producer-consumer circuit is concerned, the retardation of money flow may be regarded as permanent in all such cases. Every exported dollar is a dollar forever lost to the home circuit.

When, some years ago, the Botany Mills, a New Jersey textile company, acquired a four-million-dollar interest in German textile plants, the entire four millions dropped permanently out of the American circuit flow between producer and consumer. Profits earned by the German plants will normally be plowed back for many years, in order to take advantage of conditions which now favor cheap production in Germany. After that, dividends will go to a few rich stockholders who are already consuming as much as they can. Such dividends will have to be reinvested or given to charity; and we may assume that charity will get only a small fraction of them.

When, on the other hand, New York bankers lent hundreds of millions a year to the Dominion government and the provinces of Canada, virtually every dollar of the sum was not only withdrawn from the American producer-consumer circuit, but what is worse—the loan was

spent so as to improve various conditions in Canada and thereby to enable Canadian farmers to compete still more keenly against American farmers in the world markets, thus aggravating a condition already intolerable.

Americans were long investing abroad at the rate of more than 2,500 million dollars a year. Some rash specialists predict that we shall be lending considerably more than that, after we pass through the present depression. This sum is about equal to the undistributed surplus of all American corporations in some recent years.

Will such foreign loans increase consumer buying abroad? No. Even if they did, it would not help much. For it is domestic production and consumption that count most heavily in producing domestic prosperity or depression.

*The Foreign Investment Folly.*

American money invested in Europe, Asia, Africa, and South America benefits a much smaller number of individuals than if invested at home.

Why so? Because relatively less of it is dispersed to individual workers per unit time, and relatively more of it and of its later earnings go to the few well-to-do investors.

The iron miners of Spain, the white coolies of the Italian rice fields, the mill hands of the

Duesseldorf district, the Rumanian hog-farmer, the Russian dairyman, the Hindu weaver, the Chinese pottery worker, the Japanese toy-maker, the rubber plantation laborer in the Straits Settlements, the peon of Java and Mexico, and the cotton pickers in the new fields of Sudan—all of them and all their fellow countrymen work longer hours and for less money than Americans do. For many, many years to come, they will be content with much lower standards of living.

Furthermore, Europe and Asia are grossly overpopulated *relative to present productive power*; and this limits the price of labor infinitely more than any organization of employers ever could.

It is the buyer of labor who determines its price. And it is the price labor gets that, in the long run, determines the standard of living. Hence it is the buyer of labor who largely determines labor's standard of living, the world over; but he does it by virtue of overdense populations in the temperate zones and unambitious masses in the equatorial regions.

The ideal industrial organization is one in which all employees own the entire outstanding stock and distribute all the company earnings among themselves every three months, assessing themselves whenever the firm requires extra funds for credit operations or for plant expan-

sion. Here we have quick and direct flow of production profits straight to consumers. On the other hand, the worst type is a corporation all of whose stock is owned by one man so rich that he can use little or none of its profits for consumption goods. He will simply reinvest every dollar of dividends, or else pile up a huge corporation surplus for expanding the business. Most foreign investments made by Americans are closer to the second type than to the first. They are anti-American and anti-social.

Foreign investments retard the domestic flow of money between producer and consumer much more than is generally done by domestic investments. And the volume of money thus retarded in normal times approximates the annual undistributed surplus of all American corporations.

Many economists will remark here that these movements of capital follow an "economic law" and must not be tampered with. This brings us back to the old nonsense about economic laws being superior to human control.

Americans have never taken much stock in the superstition: witness our tariff—a flat violation of all economic law—and our entry into the World War, which shattered every known economic law and a number of others too. We can, if we wish, regulate the movement of capital

quite as well as the import of diamonds and the export of helium gas. It is wholly a matter of the will of those who sway legislation. If the money traffic runs the Congress and owns the White House, no capital will be regulated. If business men and ordinary consumers take over the power, they can fix up any system of capital flow they like. When we banned lotteries, we outlawed all capital that went into the financing of lotteries. When we passed the Prohibition laws, we made illegal the investing of capital in breweries and distilleries. So always, in modern affairs. For better or for worse, we make our own economic laws just as we make our own hats, shoes, and pancakes.

Back we come to the real issue: What do we want?

Do we want to equip the whole world with machines and money so that Senegambia and Siam can vie with Detroit and Duluth in selling goods everywhere?

Do we truly wish to raise the American living levels? Or do we prefer to enrich a few thousand people by allowing them to ship their American dollars all over the world, wherever they can reap the fattest rewards for its use? Would we rather put up five million fine homes for our better working classes and farmers, or give the Tibetans a cement mill and a trolley line? Do we believe

in "America first," or is that just an after-dinner phrase?

*Capitalism Away from Home.*

If capitalism is to carry on in America, we cannot expect it to compete with noncapitalistic or anticapitalistic systems outside this country. We cannot ask American capitalism to compete with feudal or quasi-Fascist systems whose vitality depends upon a systematic exploitation of their workers.

These feudal systems we find in full operation in some of the very countries so strongly favored as fields for American investments.

More than half of Europe has never emerged from feudalism. It has, so to speak, lifted its head into the light; but its body has remained below in darkness. Only northwestern Europe has thrown off its Middle Ages. Draw a line somewhere across northern France, then to the middle of the Rhine valley, then in a general northeasterly direction to Berlin, then up the Baltic to a point east of Sweden. North and west of this line you find capitalism. South and east of it you find a hundred varieties of feudalism, vassalage, and even the primitive village communism of old Russia. At the same time, you observe an *infiltration* of capitalism everywhere, with odd results which vary according to place



and race. This infiltration produces the illusion of complete capitalism here and there, but never the substance. And always because the lands south and east of the imaginary line have either no middle class at all or else a weak one. They are either peasant herds whose affairs extend no farther than turnips and huts, or immense estates worked by half-serfs. Jugoslavia typifies the former, East Prussia the latter; with Rumania an intermediate variety.

To think of the peasants of central and eastern Europe as practicing capitalism is almost as funny as to suppose that the Bolivian Indians are experts in foreign exchange. Four out of every five people in that part of the Old World live precisely as do the farmers of Szechuan and the herdsmen of Nepal. They strive only to maintain life on its elemental level. It never occurs to them that anything else is possible.

True, they own their farms—at least in some favored regions, notably central France. True, they are individualists of a fashion—at least west of Budapest. True, they sigh for fair exchange as they trudge to market with their onions and their goats. But they have no money except a little for buying matches and needles. And they never dream of making money work for them. Profit, in the strict sense of money made by money working for you, is unknown

in their settlements. The closest they come to it is when they save up enough to buy a young fresh cow. More often, they trade odds and ends for the cow on market day.

Put all the peasants of a dozen lands on a bookkeeping and cost accounting system, and you would find that nobody gets ahead from year to year. Nobody has ever advanced since the glaciers melted and men came out of their caves. They eat, they sleep, they breed, they stir about sluggishly, like wolves born in a zoo and bred to the cage. They amass a few dollars in the course of the year, only to spend it for doctor's services or for taxes.

Thinly scattered through such primitives you find the descendants of feudalism. They have adopted as much of capitalism as conditions permit. They have borrowed foreign funds, giving as security their ancient land holdings or mineral and oil rights on these. Or they have granted concessions to foreign capitalists who wish to build electric power plants or telephone lines, in the hope of selling such blessings to the peasants. Sometimes the local gentry invest the proceeds from such deals at home. Quite as often though they shrewdly ship their new wealth to safer and surer centers of industrial capitalism. The Magyar nobleman who stings the Yankee promoter quietly invests his loot in sound old

## THE CRISIS OF MONEY

British bonds. The Rumanian court hanger-on who gets a slice of the money paid in by the foolish foreign concessionnaire buys French *rentes*.

Most of Latin America is ill suited to capitalism because its nations have, as a rule, no powerful middle class. From the Rio Grande to Tierra del Fuego, you find enormous ranches, plantations, and estates owned by a handful of landed aristocrats living aloof from the wretched native masses. A few rich, many poor. Not a society, but rather two worlds apart. Hence only two patterns of government and business arise. If the masses gain the upper hand, as in Mexico, the people move swiftly toward some collectivism. If the landowners hold fast to ancient tenures, then the people are held in subjection, usually under a naïve military dictatorship.

Argentina is moving ever faster toward Communism. Chile is shaken over and over with proletarian revolts which will, within the next decade, almost certainly wreck landlordism. Colombia's aristocrats tremble as they notice the first signs of collectivist activity among the masses. Bolivia and Peru, however, are pretty much as they were under the Spanish gangsters, thanks largely to the influx of American and British capital which has developed the estates and mines of the old aristocracy.

## CAPITALISM CARRIES ON

It is the irony of fate that our own Wall Street has been most active in preventing the rise of genuine capitalism throughout Latin America. Such institutions as the National City and Chase banks have accomplished much more than Moscow ever hoped to in the direction of thwarting private initiative, fair competition, fair exchange, and private ownership south of the Rio Grande. For Wall Street has backed the great landed aristocrats, the military dictators, and their puppet governments. In essence it has fostered feudalism, which is profoundly anticapitalist.

Capitalism has never taken root in Japan, China, India, or any other densely populated country whose natural resources have been skimmed for thousands of years. The system will never thrive there, for the simple reason that the low living levels of the masses make impossible most individual initiative, fair competition, and a fair exchange of goods and services. The psychological foundations of genuine capitalism are lacking. The superstructure cannot arise in the morass of multitudinous misery.

Would you like to observe at close range the progressive discomfiture and defeat of our Western money-and-profit system in an overpopulated nation? Then go to Japan with

notebook and open eyes. There you will see capitalism in full retreat. Let me report the trend briefly.

Old Japan was a feudalism with millions of vassals toiling on land so poor that five out of every six acres in the country were worthless for tillage. The few home industries gave a bare subsistence. Even so, the country ran along on even keel. Its functions were in balance. Nobody knew any better way of life, so everybody accepted things as they were. Peace hung over every rooftree, perfume drifted through every garden. And then came the Great Plague out of the West, the Machine and Money.

A few overlords, dazzled by Western splendor and power, kissed the ledger and made the sign of the double-cross. They accepted the new religion of profit, expansion, and world power. Now leap half a century and behold the results.

The overlords borrowed against their future—and found foolish Westerners eager to lend them millions. Our own Wall Street leaders were played for suckers no less than the wizards of London and Paris. The new capital was divided between modernizing cities and making ready for immense export trade. Every dollar borrowed became a debt to be paid by somebody in Japan some time. If earnings on the investments were plowed back within the country,

then the debtors would stand a fair chance of getting their money's worth, at least indirectly. Many millions were so handled. But mostly the money went into grandiose foreign schemes, some commercial such as the Shanghai and Hankow mills, others outright military such as the Manchurian adventure—which has cost well over two billion dollars thus far and may well cost ten, before the investment is wiped out.

The common man, peasant, clerk, soldier, petty official—what has he to show for the orgy of capitalism in Japan? Less than nothing. To protect her overseas marauding, Japan has spent billions on soldiers and sailors, on forts and fleets, on spies and schemes. The industrialists, taxed for these, have loaded the entire bill upon the buyer of food, clothes, shelter, and other needfuls. Result: the masses are crushed underneath an avalanche of high prices and slave wages. No people in all the world are so degraded, so gaunt, so brutalized as the peasants and mill hands of Japan. A stray dog in an American village, picking bones from garbage pails, is better off than many a Japanese farmer. The farmer never finds one bone a year to gnaw.

Now observe carefully the next phase of the descending spiral. The immense army and navy

are recruited from these same crushed masses. So are the petty officers, who come up from the ranks. Misery and disaffection come to the attention of the petty officers first. The recruit collapses from starvation. Another asks for leave to go home to see his mother, who is dying from overwork in the rice fields. A third deserts to become a robber. Every hour such tidings reach the high command. And the high command, studying the larger campaigns of capitalism, soon discovers that the army and navy have been the tools of profiteers. The admiral contrasts his pay to that of a bank president—and writhes. The general matches his status with that of a director in a steel company—and flushes.

But such invidious contrasts would not produce results fast, were it not for Shinto. The Japanese reared in the ways of Shinto thinks of the Emperor and of Japan as holy entities, all-wise and all-powerful. He thinks of both as working for the good of all Japanese, who feel themselves to belong to one family and to share a single high destiny. Hence he believes in a peculiar State Capitalism, even though he never heard the term. He believes that the Emperor has the divine right to own and to manage all things for the good of all his subjects. So he seeks relief from capitalism of the

Western variety by championing a Shinto system in which all production and all disbursing of proceeds is done by the Emperor for the good of all.

Millions of hungry peasants and clerks acclaim this idea. Today the army leaders are openly demanding its immediate adoption. Only a few months ago they published a pamphlet (from the Government Printing Office, at that!) which terrified the capitalists and knocked the bottom clean out of the stock market. Briefly the proposal was to turn the business of Japan over to the Emperor, who in turn would appoint the army his agent to run the land. A military dictatorship, in short; but one founded on a religion of nationalism.

Whether the plan wins out this year or next year or ten years hence, the fact remains that Japanese capitalism is doomed. Overpopulation breeds poverty. Poverty drives men to seek fatter lands and places flowing with milk and honey. To set out on this adventure, men must organize into armies, with fleets to bear them to new fields. So the war machine is fashioned largely out of the despised and rejected of men. The profit seeker enters this scene as an interloper. Clever as he is, he cannot for long conceal his antiherd activities. The millions seek only a place in the sun. He seeks a fortune. The more



he gets, the less they get. So the hour comes when the poor back home and the poor in the adventuring regiments see through his methods. Then the end comes fast. It may be by a single ballot. Or by a single bullet. Or by imperial edict. But it comes.

The pattern of decay differs from land to land. China will never go capitalist in the Western fashion, but for reasons quite unlike those which we find in Japan and India. Yet ever underneath all local forces and conditions that make for a local type of anticapitalism, we find the common factor of overpopulation.

This means a dangerous scarcity of goods which prevents capitalism from functioning normally. Buying power is lacking. Hence production cannot move at the rate demanded by the amount of capital invested in the instruments of production. As Woolworth once remarked to James J. Hill, who had urged the chain store genius to open up in China: "If I could count on making one cent a year from the inhabitants of a Chinese province, I would gladly start my chain stores over there. But after investigating the matter for some years, I find that is impossible."

American bankers, less wise than Woolworth, have often tried to make fortunes out of Asia. And all have come to grief except the few who

linked their fortunes with some of the big gangsters in control of politics. They reaped gangster profits.

*The Money Traffickers: 1929, ff.*

While the smoke was clearing away from the Wall Street crash of 1929, the United States found many seers and prophets busily at work dealing out the blame.

And surely one of the most fantastic explanations was that the "whole country" had been on a wild "economic spree"—an explanation that generally allowed all of us to shoulder a good share of the blame.

This indictment of the whole country was the beginning of a consistent campaign to take the spotlight off the money traffic.

It was the money traffickers, and not the manufacturers, who wrecked our capitalistic system during and after the 1929 crash. I wish every factory owner, every salesman of honest goods, and every shopkeeper could understand this; for it has been systematically obscured by bankers and promoters, many of whom are now filtering stories into books and periodicals whitewashing their knavish ways. Unless we watch them closely, they will be winning over voters to the pretty lie that the success of

capitalism depends upon our protecting the money traffic.

At all times in recent decades the money traffic crowd has cleaned up bigger profits than have all the producers together. Sounds incredible, doesn't it? Well, the figures are at hand to prove it. During the last ten years the money traffickers have cleaned up almost \$1,500,000,000 more in profits than have all the 300,000 other corporations of America engaged in legitimate producing, distributing, and other activities. In the seven years of 1923 to 1929 inclusive, promoters, money jugglers, and securities gamblers combined increased their profits by 400 per cent. They rose from \$1,172,000,000 to \$4,684,000,000. In addition to this the investment trusts, holding companies, and similar enterprises cleaned up \$2,438,000,000 in the boom year of 1929. In the same year, the 300,000 other corporations made only \$5,645,000,000—or, as I said, about \$1,500,000,000 less than the non-productive, anti-economic forces of Wall Street and its related underworlds.

Remember, please. The money traffickers did not add a single dime of ultimate value to the world. They merely took advantage of ups and downs in current prices of stocks, bonds, and money. They were skimming off profits that did not represent even the slightest service rendered

to consumers or to anybody else. A man who assures you that money traffic serves anybody except the exploiter is a liar—and probably a crook. Write his name down in a little book. The police may want it some day.

### *The Final Divvy*

Bankers and other money traffickers almost unanimously sneer at Henry Ford's old idea that high wages make prosperity. They usually side with the outmoded philosophers of scarcity. Why so?

Very simple! Our civilization happens to be founded on Men, Machines, and Money. At any given moment, rewards for goods and services are distributed in varying proportions among men, machines, and money. Obviously, the more these rewards go to men or to machines, the less remains for money. Anybody who has mastered long division can prove this. Now, inasmuch as the sole end of all producing and all service is to give people what they want, and inasmuch as more and more people are coming to understand this simple truth, it follows that men are going to get more and more of the total rewards. If they do not get it through reason and peaceably, they will get it by force.

In order to enlarge the rewards from day to day, men need machines much more than they

## THE CRISIS OF MONEY

need money. It is possible to establish a society of high order without money. It is impossible to do so without machines. Hence intelligent men do not begrudge sharing rewards with machines. (And when we speak of machines we have in mind, not merely the masses of metal but the makers and owners of machines.) Manufacturers of machines and manufacturers of goods made with machines run by men observe this; they likewise see that they can increase their own sales only by making it possible for workers to buy more and more goods.

Shrewd money traffickers also notice that they stand to lose their old huge profits as fast as men and machines acquire a larger part of current rewards. They understand that greater abundance for the masses means scarcity for the classes—above all, for their own tiny class of multi-millionaires. At any hour of the day or night, the spreading of \$100 over three groups works out the same. Give \$25 to men and \$25 to machines; that leaves \$50 for money. Give \$30 to men and \$30 to machines; that leaves \$40 for money. Give \$40 to men and \$30 to machines; that leaves \$30 for money. Give \$60 to men and \$40 to machines; that leaves precisely zero for money.

If you do not wish to use dollars in this little exercise, lest dollars betray you by their shifting

purchasing power, then consider that, at each moment, one hundred buying units are distributed in the manner just described. The result remains essentially the same. You can't beat arithmetic.

*The "United Front"*

Were all manufacturers both good thinkers and free men, they would line up solidly with the consumers—who are the workers—and strive to reduce to a minimum the share of money in every transaction. Had they been able to transfer all the profits of money traffic and pure gambling in 1929 to men and to machines, then wages and salaries and consumption goods profits in that year would have been about 7.2 billion dollars larger than they were in fact. Had most of this prodigious sum gone into good living, think of the extra business that would have been done by farm and factory, by mill and store!

Now unfortunately, many manufacturers who are clear thinkers do not happen to be free men. Bankers and promoters have set them up in business, or else have come to their rescue and seized control. Naturally such masters are not going to let their underlings cry out to heaven against money. The underlings must hold their peace or sing the song ordered. Most of them sing the song "by request."

Some rainy night when you can find nothing better to do, look up the industrial corporations controlled by the money traffickers. Then look up the presidents of these concerns. On some bright day thereafter, look through magazines and old newspapers for remarks, interviews, and essays by these gentlemen.

Thousands of small manufacturers are free from this dominance of Wall Street. But, alas, many cannot think clearly. They do not analyze their own business well enough to discover their utter dependence upon buyers, hence upon workers. They think sometimes that they can exhort other producers to raise wages and improve buying power, while they themselves keep their own employees down. This silly scheming defeats them—and they wonder why.

*The Money Traffic: Capitalism's Enemy*

Almost from the outset, American banking has neither believed in nor practiced the six features of basic capitalism.

Banking and finance have never been strictly competitive. They have always sought and received special privileges. There has never been competition in the real sense. Money has been a natural monopoly. When the federal government has not been actually swindled by the bankers and financiers, it has still failed to

make any profit on its own money and credit system—in spite of the fact that the government has had a monopoly in the making and regulation of money. The profits of the whole business have always gone to a specially favored few.

If you seek supporting evidence, simply read carefully in your histories. You will there see how Alexander Hamilton, the “financial genius,” conceived the first national bank in iniquity and perpetuated it through chiseling on certificates of indebtedness held by the veterans of the American Revolution. The entire history of American banking, finance, and large-scale industry is, by and large, the saga of plunderers and thieves, usually operating skillfully within the law partly in an anti-economic system and always under some deviate form of capitalism.

In every major crisis of American banking, the bankers have been the first to move away from basic capitalism toward Socialism. Whenever bankers are confronted with an embarrassing “business crisis,” they are the first to pass the buck to the federal government. Whenever they have an opportunity to make huge profits, they call on Uncle Sam to chip in with money and help them to pile up still more profits. The menace of the American system lies very largely in this attitude of the “money crowd.” They come to the federal government for help, either



## THE CRISIS OF MONEY

to make large profits or to protect themselves from losses. From Hamilton's first national bank to the Federal Reserve Bank Act of the Wilson administration—and the March, 1933, bank holiday as well—banking in the United States has been a continuous system whereby the bankers get privileges.

The first to yell most loudly against Socialism when it suits their purposes, they are also the first parasites to seek the protection of modified Socialism when in a jam. In so doing, they willingly jeopardize capitalism.

Of late, alert congressmen have pointed out how the government has been short-changed through the present operation of the Federal Reserve system. It prints Federal Reserve notes and turns these over to the Federal Reserve banks for the cost of printing. On January 1, 1934, all paper money given to the banks amounted to \$4,878,500,000 used as a revolving fund. Of this, more than \$3,332,000,000 was in Federal Reserve notes. The entire sum was, of course, secured by nothing but government bonds.

But now the government must borrow back some of this money. So it sells bonds and certificates of indebtedness amounting, on January 1, 1934, to more than 25 billion dollars, carrying average interest of 3½ per cent, and tax exempt.

## CAPITALISM CARRIES ON

Thus, as Representative William Lemke pointed out, the bankers had, as of January 1, 1934, 25 billion dollars' worth of tax-exempt, interest-bearing bonds, plus the \$4,878,500,000 of paper money contributed to the banks in return for neither goods nor services. The banks in turn give the government deposit slips. They draw interest on the bonds, but the government draws no interest on the slips. Instead, it draws checks against them, and the check recipients in turn redeposit them in the banks. In other words, the government holds the bag! But if the banks need more money, they put up government bonds as security against more Federal Reserve notes.

All in all, it is a pretty illustration of the way American bankers have turned to deviate capitalism. The profit motive remains. So does individual initiative. So does private ownership. But free competition does not, nor does interest in many cases, and neither does the practice of fair exchange.

*"Good" Bankers and "Bad."*

Do we denounce all bankers? Would we abolish all? No. The evils of the money traffic arise almost entirely out of the activities of the investment bankers and, above all, the international finance corporations. The savings banks

## THE CRISIS OF MONEY

and the small commercial banks which carry on local business for the people of the neighborhood must not be included in the indictments we have been drawing. True, even these need certain reforms. But not even the harshest critic can allege that there is any danger in the granting of loans to business men for carrying on business. I have no space to argue this matter here. But I wish to go on record as favoring neighborhood banks of the old-fashioned kind in so far as they do not exploit money scarcity to the disadvantage of needy borrowers.

### *Two Orders of Value*

A pure accident of profits and technology has made a mess of things. It was an accident which nobody could have foreseen and which nobody has yet learned how to control. But control it we can, if we make up our minds to do so. For it is a nuisance of the first magnitude, and it is caused by certain observable influences within our power of control.

There is absolutely no connection between value to the maker and value to the user. This is a tragic defect in our world which cannot be removed. We have to make the best of it. Let us see how.

As things stand today, a bushel of potatoes sells for the same price as a pair of cheap stock-

ings. To grow the potatoes, a patch of ground must be plowed, fertilized, cultivated and sprayed for four months or longer. The farmer is lucky if he can reap a true net profit of 4 per cent. To make the stockings, a tablespoonful of waste wood fiber is dumped into a huge machine which converts it into rayon threads. These are in turn woven into a pair of stockings on a loom at which a girl spends perhaps three minutes over the task. The two producers here get at least 15 per cent profit as a rule.

What if all stockings vanished from this vale of tears? Pretty girls would go around with bare calves—and the rest of us might enjoy life a little more. One or two elderly gentlemen might contract pneumonia, and that would have to be charged against the great stocking shortage. But what if potatoes and their equivalent diet were to disappear? There would be no producers, no consumers, no pretty girls.

As a rule, there is little profit in the elemental necessities but much in frills, luxuries, and fads. The money value of all automobiles in use now is about double that of all farm tools and implements. Destroy these latter, and hardly one great city could survive a season through. For a world without plows can support barely thirty million people. On the other hand, you might wipe out all automobiles without gravely

## THE CRISIS OF MONEY

upsetting the human race. We would go back to the good old horse-and-buggy. We would move about more slowly. But nothing worse would occur. So, you see, farm equipment, if measured in terms of fundamental human values, must be worth a million times more than automobiles. But there is much more profit in automobiles than in farm equipment.

The maker of rouge shows bigger profits than the best surgeon in the world. Hell-fire evangelists like old Billy Sunday clean up more cash than ten thousand milkmen. A fashionable milliner pays more on his income tax than do ten thousand trained nurses. Thus up and down the scale. Why should this be?

The answer makes a long story. Let's omit all except the main points. Elemental human needs afford a sure and permanent market; hence whoever can make things to satisfy them is in a business where risks are slight. This fact attracts investors who prefer safety to high yield. Secondly, these elemental needs, having always existed, have been catered to for ages; hence the techniques of getting the raw materials and processing them have been developed for ages and so have become common knowledge. A new producer entering the field has slight advantage over all the others. Competition is keen, hence profits sink to some minimum.

Two evils then arise. First, those who have their capital tied up in low-profit industries must cut every corner; so they force down wages and raw materials prices, in order to make a small percentage on sales. Secondly, investors with new capital shun these fields and thereby tighten credit there. The ordinary farmer, for example, has never been able to borrow money at ordinary commercial rates; he has always fallen victim to usury or else, as of late, he has won the government over to his cause and has borrowed from it. The soft coal industry, much lumbering, and most of the textile trades are stalemated games in conditions almost as desperate as small farming.

Contrast with these the adventurous fields of cosmetics, patent medicines, motion pictures, radio, and tomorrow's television. Here you see the prospect of huge profits flowing from new discoveries and from sheer novelties like a new rouge or a new movie star. True, the losses here are huge; but there is the exciting hope of a killing. That attracts the adventuring investor, who, as I have been saying, is the vanguard of the new capitalism.

According to the old-school economists we can do nothing about this flow of capital. It must run on like a river or else dry up like springs in a drought. The "laws of economics"

cannot be altered, say the pundits. Well, we tinker with them every day. Often we get hurt, but often we succeed. We can turn Niagara Falls around if we think best. We can also finance farmers so that they receive the help they deserve for the public service they render. Don't we do that for airplane manufacturers who come to our Navy Department with ideas about new battle planes? Haven't we paid millions in subsidies to steamship companies which declared they could not get business enough unaided? Well, so with anybody else who convinces us.

If water doesn't flow as we like it, we change its course. If money doesn't flow as we like it, we change its course too. True, the Lords of the Money Traffic yell their heads off at this sacrilege, just as the old Methodists called down God's wrath on the first man who drove a steam engine ten miles an hour. It wasn't Nature to go so fast; the Lord would punish the sinner. The only place you can hear this line of talk nowadays is in Wall Street. Even the aborigines have given it up. Zulus ride in Rolls Royces. Bushmen fly. But financiers still insist that they lend according to a Divine Plan.

An intelligent middle class can—and probably soon will—redirect streams of credit. They will follow the plan of the Priorities Boards so successful during the first World War. All unprofit-

## CAPITALISM CARRIES ON

able but necessary industries will receive public aid. Perhaps they will progressively be taken over as public utilities, and in time the capitalists will understand that this does not work any harm to their own system, for they have abandoned those fields—or would do better so to act. Surely, if funds will not move of themselves into wheat growing, as long as people demand wheat, they will see that the wheat farmer gets money to carry on. This is plain horse sense, not economic theory.



*The Crisis of Machines*

THERE remains a third crisis, so far-reaching that all but a few underestimate its true proportions: the Crisis of Machines.

This crisis includes not only the problem of the machine. It is sharpened by the vast changes accompanying technological advance, and the terrific readjustments that man as a money-maker, a worker, and a consumer must achieve in consequence—or perish.

Engineers devise new machines for making better goods at less cost and with less labor. New inventions and discoveries provide the world with a whole arsenal of weapons with which to subdue Mother Nature. Machines are the beginning of the development of technology. But man's ability to invent and devise has gone far beyond the mere construction of bigger, better, more efficient machines. The crisis of technology encompasses the whole art of management—the science of ways and means.

The expert in management is not only armed with knowledge of the newest machines—he

carries with him also a repertory of techniques, processes, methods. Time-charts, slow-motion picture studies of workers, laboratory experimentation in fatigue and relaxation, market surveys, new advertising tricks for inducing consumers to buy—all these techniques are formidable machines in themselves.

There is little need here to retell the familiar story of what the machine has done to our civilization. Few can be so blind as to ignore it, for the evidences are around us in a thousand forms.

But the deeper implications of technology, and the crisis which machines have precipitated upon us, are not yet vivid enough—not even to those whose lives have been most profoundly changed by technology.

### *Must Profits Vanish?*

Profits tend to shrink under the new technology. Will they eventually vanish altogether? If so, then one of the elements of capitalism falls out; and we have left on our hands either a simpler capitalism or else some new system.

It seems to me that we must first clear up a confusion in the term "profits." There is a lax meaning and a strict meaning. The former is ever on the layman's lips, the latter belongs to

the jargon of economists. Both are serviceable, provided you know which you are using or hearing. The common usage crops up in remarks like this: "That was a very profitable job. I doubled my salary when I took it. It was a profitable trip I made last week. I picked up two rare Persian rugs and an onyx cameo. My antique collection is helped by these."

"Profitable" here means "yielding a reward satisfactory to the person concerned." The source, method, and material of the reward may be anything. To come out ahead at the end of any transaction is, in this sense, to show a profit. "What shall it profit a man if he gain the whole world and lose his own soul?"—is a clear example of the loose meaning which ignores the niceties of modern economics.

The economist distinguishes wages from salaries; both of these from commissions; all three from interest; all four from profits. He regards the last as a capital gain made by investing in some enterprise. Interest is a charge made for the use of capital. Profit is a return in excess of interest.

Let us stick to this strict meaning while we return to the question about diminishing profits. Now our answer can be clear. As capital increases throughout the world, money grows cheaper. Inexorable the workings of supply and demand!

Let any field of enterprise develop fully, and soon it will demand less new capital; for there will be less and less expansion. Owners of free money must then turn to other fields in their search for users of more capital.

Now, technology speeds up the development of each field to which it is applied. Thus the period of sure and big profits shortens in each such field. In the eighteenth and nineteenth centuries, textiles and steel absorbed hundreds of millions of capital over the better part of a hundred years. In the twentieth century, the influx of new money into the automobile industry was ended within some thirty years; and in the radio industry it was over within fifteen. What are the prospects for the next generation? Is there any new field which might absorb billions of dollars of capital and obtain some profit therefrom?

*Profits in Distribution and Services.*

To identify capitalism with production is to confuse the Now with the Always. To define capitalism as private ownership of production instruments, as does Stuart Chase, is to see only one conspicuous segment of the time stream. Today it happens that capitalism is in the stage of production technology. Today the marvels of

mass production and material inventions overwhelm us. So we all too easily blunder into the notion that the trunk of the elephant is the whole pachyderm. We mistake the part for the whole. We miss all the past and all the future.

Today we suffer from a serious scarcity in means of distribution and a still worse scarcity in the rendering of services. Wherever there is scarcity, the enterprising man finds his chance to profit. He builds up instruments for providing people with better distribution and with all sorts of desirable services, at a price which gives him a reward for his initiative and investment.

When Stuart Chase and other critics declare that capitalism has reached its end, they base their arguments mainly on the fact that technology has destroyed profits. So far, so good. It does not occur to them, though, that man may make profits from things other than lathes and milling machines and electric furnaces. Or, if they admit this, they do not believe that the volume of business and profits in other fields can rival those in manufacturing goods. Here, it seems to me, is the flaw in technocratic logic; here the blind spot in its observations. Correct as far as it goes, it stops with the Now, assumes that the future must be like the past, and so concludes that the old world of the individual is coming to an end.

*The Right Kinds of Overhead*

The engineer, trained to cheapen and improve production, fears and fights overhead. It is the monster which ruins factories. Would that he might annihilate it! Of course, he knows he cannot. But he strives ever to reduce it to a weakling. As he does so, he falls into the fallacy of regarding overhead as intrinsically evil, just as the Puritan, with his primitive ethics of production in an age of scarcity, fell into the sweeping condemnation of comforts, luxuries, and pleasures.

What makes this a fallacy? The fact that people want the benefits which the right kinds of overhead bring; they want them as keenly as they want factory goods. Indeed, many of us prefer some overhead services to most goods. If I had to choose between motion pictures, as a form of entertainment, and office furniture, I would manage to get along without filing cabinets and typewriters and desks. Again, if I had to choose between pleasure travel and good clothes, I'd give up the clothes rather than lose the chance of seeing the world.

Most engineers understand this. It is the critic who has never mastered engineering who leaps to the universal condemnation of overhead. The real issue is not that of overhead; it is that of

## THE CRISIS OF MACHINES

choosing those forms of overhead which serve people best and wiping out all others. We still have too many forms which, when analyzed, turn out to be disservice rather than service. We have usurers charging 15 per cent for the use of their money; promoters taking 20 per cent of all the profits of a new enterprise which they put over with ballyhoo and pull; public utility crooks watering their stock and loading fraudulent debts on their companies, so as to keep rates up; and politicians creating useless positions for their henchmen by way of political reward. All wretched service technology! But not an argument against service and other overhead!

### *Unemployed Dollars*

The most pitiable unemployment today is not out in the bleak bread lines. It is in the lines forming every morning at the receiving teller's window. Sad little dollars out of jobs are there herded into their flop house, the bank vaults.

Every day the number of idle dollars rises. All records have been broken. Owners of these pleasant little tokens declare that they cannot find places where the dollars can safely go to work for them. Government exhorts the owners in vain. Owners tremble as they watch the awful accidents happening to other people's

dollars that are outside the fold, where the big bad wolves roam.

Here we see a phase of the crisis of capitalism that must be most thoughtfully studied. We are in a money traffic jam of freakish sort. Dollars have frozen with fear. They dread to step out where they can breed little dimes and quarters and show a profit. For they think they will be wiped out by taxes or inflation or even confiscation.

Plainly we must accomplish two things in order to forestall the collapse of capitalism through a strike of dollars. First, we must work out a new social credit that will assure owners of dollars that they will do better to keep the latter moving. Secondly, we must find new careers for the hobo dollars sent out to wander up and down the earth in quest of profits.

These two problems prove much harder than anybody had anticipated, for people have not yet clearly grasped the effects of the slow and inevitable migration of capital away from fields where technology has wiped out most profits. We must describe this movement minutely.

Investors seeking large profits look to new fields, new types of product, new varieties of service, new consumer groups. Is it not self-evident that they will find no elemental necessities here? The vital needs of mankind have been



served ever since time began. Only the less important remain to be served. And the further capital and technology advance, the less significant will the *average* new commodity become. It is important to stress the average here, for there surely will be some cases of extraordinarily important products. For instance, somebody is going to find a cure for cancer, a preventive for colds, and a cure for rheumatism; should these be manufacturable goods (rather than personal services), their value to the human race will be beyond all measuring. Such dazzling exceptions, however, cast no doubt on the trend toward the unimportant.

This trend makes trouble for capitalism. The search for large profits draws the best minds away from low-profit fields. For every able man who tries to make a go of farming there are a thousand who serve the automobile manufacturers. Big money buys brains. Little money gets only the leavings. And no money at all gets the sort of person who works the typical quarter-section farm. Thus we have the same old influences which, in India and Japan, have long since created economic classes and then turned these into social castes. Those who toil to give the world food, clothing, and simple shelter are—to put the matter bluntly—the discards of capitalism. They are people who lack

the ambition or the shrewdness or the energy or the spirit of adventure required to invade more profitable fields. They may be good souls, peaceful, amiable, decent, and deserving; but they simply do not fit into the money-and-profit system except near the bottom. Profit-seekers will find their best opportunities in new enterprises in new fields which yield only long-term profits.

*New Careers for Idle Dollars*

One of the fatal weaknesses in the characters of the men who dominate capitalism is their passion for quick profits. They want everything all at once. Their time perspective is short and befogged. They have essentially little minds linked to giant greed. Their motto is the same as that of the old Romans: "Give me today. You may have tomorrow." And Satan, grinning at them from behind the Time Machine, grants them their wish. They get today, and tomorrow they go to their doom, wiggining their way to oblivion. They fatten in the lush Now and go swiftly to slaughter, plump as little pigs should be.

What radical writers call the accumulation of capital is largely an accident of this myopic gluttony. A man who is making fifty thousand dollars really has no earthly use for any more,

in so far as his own needs and wholesome cravings go. True, if he is an exhibitionist or a paranoiac, he can spend a billion a year and still remain unsatisfied; but we are talking about healthy-minded people. The perverted and degenerate individuals who fight on and on to make ever more and more money pour their reserves into industries already adequately financed. They ruin these industries in time, and then they ruin themselves.

Were they, by some miracle, to attain the Chinese point of view and philosophy, they would invest their larger surpluses for the future; and the larger the surplus, the longer the time span of investment. Families in South China buy claims to salt mines, knowing that those who start digging will get nothing, that their children will get nothing, but that the grandchildren will finally reach the precious saline deposit and reap the rewards of three generations of invested toil. Compared with such long-range folk, our mighty capitalists are ephemerids, born at dawn, buzzing gaily through the day's heat, and perishing at sundown.

Here and there an exception to this rule shines forth. One wealthy family has, for many years, been investing part of its funds in cut-over timberlands and abandoned farms, fully aware that it will not make a dollar on these in twenty years.

Another even shrewder scion of Old Wealth, some ten years ago, began buying up small habitable islands along the coasts of two oceans. His idea was that, some time in the distant future, social and political turmoil would lead well-to-do families to seek refuge on his islands. Whether he is right or wrong, at least he is not myopic.

The small investor with small funds cannot emulate this long-range planning, for he depends upon the yield of his investments to give him the luxuries and comforts which his wages or salary cannot provide. We err if we dub him shortsighted. We would err again if we were to apply the epithet to men whose much larger wealth is mostly frozen in some industry whence it cannot be withdrawn save at a heavy loss.

Thousands of Americans today would like to get clean out of their present businesses and start something new that has a long-range future. But nobody will buy their properties. The little buyers are afraid. The big fellows are looking far, far ahead.

*One-per-cent-for-progress.*

The little capitalist prides himself upon being a practical man. Like Al Smith, he follows his forefathers and despises those who experiment and look ahead to a new world. As I have said

## THE CRISIS OF MACHINES

many times before, this is one of the gravest weaknesses of the entire capitalist system today. To the young man who hopes to go into business for himself tomorrow, let us give the reverse advice.

Whatever you set out to be, do not become a practical man. For, in the priceless phrase of the Disraeli, "a practical man is one who repeats the mistakes of his forefathers." Be rather impractical, dreamy, inventive, adventurous, experimental, incautious, and never fearful of the new, the unheard-of, or the preposterous. Suspect the old. Suspect your elders, especially those who once prospered greatly. Have an open mind toward past and present and future. Listen a little to fools airing their follies. Listen long to those who say unpleasant things. When somebody under you gives his opinion on a vital problem, listen to it and then go to some outsider who looks at the matter objectively. Compare the opinions coolly.

This broad practice is followed by all the greatest industrial corporations. Visit the immense laboratories of any automobile company or the research centers of General Foods, of the Mellon industries, of General Electric. Here you find no simpletons clinging to the senseless rule of following experience rather than experiment. Here are only men who try things out and

reach whatever conclusions the things dictate by their own behavior.

The public should borrow a leaf from their book of wisdom. What is sauce for the factory is sauce for the people. If it profits a sawmill to try out new ideas in band saws and planers, it must profit a nation to try out new ideas in Congressmen and taxes.

A business firm whose earnings reached a million a year would not hesitate to spend ten thousand dollars a year for a laboratory to solve its technical problems and to seek improvements. That's just 1 per cent of income, isn't it? Well, what if we Americans as a people were to do likewise? Then for every billion of personal incomes we would allot some ten millions for research in the social sciences and the social technologies, wouldn't we? At the purple peak of the old boom in 1928, when we were taking in almost ninety billions a year, we would have been investing a neat nine-tenths of a billion in experimental villages, experimental tariffs, experimental slum clearance, experimental farming, experimental public hygiene, and a thousand other things.

Today we would be appropriating close to half a billion a year for this high adventure. What are we actually doing? At the best, we aren't devoting much more than a hundred million a

## THE CRISIS OF MACHINES

year for genuine research; and when I set this as the top figure, I am regarding the twenty-five millions allotted to the Division of Subsistence Homesteads and about fifty millions of the total budget of the Tennessee Valley Authority as truly experiment items. Much too timid a program! Far too lean a budget! A dance of the tortoises, not a rush of impetuous Utopians!

Consider my One-per-cent-for-progress program from the lowest, most sordid point of view first of all. How many jobs would it create? While our personal incomes hover around the fifty-billion mark, the half-billion budget for research would probably be spent in such a manner that fully three-fifths of it would go to pay research workers and their aides; the balance would go for supplies and equipment. Jobs for 150,000 people at \$2,000 a year; or for 100,000 people at \$3,000 average!

Can you imagine how much would surely come out of this? I can't. It benumbs the mind. Allow a full year of milling around, groping, ironing out the interminable details of a new organization, weeding out grafters and incompetents, and all the other pestiferous tasks involved in every new deal. Ten years of well-managed investigation by 100,000 keen, highly trained minds would unfailingly revolutionize every phase of American government and com-

## CAPITALISM CARRIES ON

munity life—and all for the better. Here is a list of the more important results that could positively be gained within such a decade:

1. The best methods of decentralizing congested city masses would be ascertained.

2. The best methods of reducing costs of preventive and remedial medicine and surgery for the masses of our people would be clearly proved.

3. Some, but not all, of the best methods of converting our now worthless public schools into Institutes of Life Planning and Career Factories would be cleared up.

4. Several methods of shifting arduous work from those who are less fit to those who are more fit for it would come to light.

5. A few improved methods of taxation would be established.

6. Part of the technique of national self-sufficiency would be perfected, without involving harmful isolation.

7. Part of the technique of controlling money, credit, and the debt structure would come to light.

8. A few methods of controlling the ever-growing horde of feeble-minded, insane, and subnormal minds would be demonstrated.

9. Some progress might be made toward readjusting the sovereignties of states, cities, and the central government.

What might have been done with the seven billion dollars wasted on the dole? Things incredible! Spread the sum over the three elementals—food, shelter and clothing—in the ratio of 5:3:2, which isn't far from normal. (Somewhat top-heavy on the food end, but purposely so.) What could have been done with



## THE CRISIS OF MACHINES

half a billion intensively concentrated upon growing and distributing food to the needy? The cost of wheat, rye, barley, and ordinary vegetables could have been cut in half. Not maybe! Absolutely! The cost of pork and beef could have been cut fully one-fourth. The cost of eggs almost one-third. How dare we promise so much?

Because agronomists, if given full power and proper funds, can grow from fifty to seventy-five bushels of wheat on an acre where the average farmer grows only fifteen. They can raise two hundred bushels of corn where the Corn Belt farmer grows thirty or thirty-five. They can raise seven or eight hundred bushels of potatoes on an acre where a common grower is pleased to get a hundred fifty. And they cut the cost of each unit enormously through mass technique no less than through increase of yields. The figures I have given are by no means the highest. They are not the results of planting on tiny laboratory patches. They are commercially feasible.

The irony of it all is that the greatest research staff in the world works for Uncle Sam, and nowhere else than in the Department of Agriculture. That extraordinary assemblage of specialists could have performed the miracle of the loaves and fishes, had it been given fair chance. And America might have entered a new era of

farming within the span of one or two years. What a tragic blunder!

How about clothing? Merely by signing contracts to fill the idle time of shirt, suit, shoe, hat, and dress factories on a cost basis—which would have carried hundreds of thousands of workers on a decent wage scale and have kept many an employer out of receivership—the government could easily have furnished all the pantless with pants, the shirtless with shirts, the shoeless with shoes, and the skirtless with skirts, at less than half the prevailing prices.

As for shelter, this would have been harder in some respects and easier in others. Within the short period of bitter emergency, new houses could not have been erected, of course; nor could the worst tenements have been renovated. On the other hand, tens of thousands of vacant flats and houses might have been leased on a cost basis, thereby helping the desperate owners. Millions might have been devoted to minor repairs, along lines now laid down and well followed by the HOLC. All of this would have spread a dollar of dole over two honest dollars of toil.

### *Experiments in Social Technology.*

Let's start some full-size, long-range experiments in social technology. They must be thor-

## THE CRISIS OF MACHINES

oughly controlled by the experimenters long enough to establish results past all doubt. They must go much further than the Tennessee Valley Authority and the Civilian Conservation Corps, our two most valuable social experiments yet under way. They must be removed from politics for at least ten years. And they must also be financed for the same term.

It must be understood at the outset that findings may be negative and still be highly useful. To prove that you cannot manage a certain type of people in a certain way is a contribution to social technology no less than to prove that you can handle them in a certain other fashion. It is easy to illustrate this with cases which also disclose the potential value of such investigations.

One of our largest problems has to do with the various ways of attaining social-economic equilibrium of small and medium-sized groups of people, for equilibrium means safety, stability, and contentment (at least for certain human types). Little as we know about it, we are sure that the pattern varies from region to region no less than from group to group. The Pennsylvania Dutch have attained a remarkable equilibrium which certainly could not be duplicated among the Armenians of the San Joaquin Valley. Maine lumbermen work out their own salvation in one way, Florida citrus growers in another. And so

on. But we lack precise information as to just what factors enter into any one ecological frame and how they interlock there. As long as people come and go freely; as long as the outside world buys and sells in a region without record or control; and as long as widely differing, unknown types of human beings mingle there, nobody can observe anything accurately. All is guesswork.

Today, with tens of millions of unemployed or ill employed people of all ages and ancestry to draw on, a social technologist could soon assemble members for an experimental community as he saw fit. He could also find plenty of sites for his community. He could, with the help of a few industrial experts, work out a combination of activities which might well yield a stable system of work, rest, play, and self-enlargement for all members.

"But what would all of these people do for a living?" asks the Timid Soul.

Well, if we make earnest with our long-range planning for business and social welfare alike, we shall put millions of these people at work on the remodeling of our environment. Already we have made a brave beginning at this in the Civilian Conservation camps and in a few of the more enlightened relief projects which deal with soil erosion, forestry, industrial chemistry, insect control, and regional farm problems.

## THE CRISIS OF MACHINES

The losses from erosion are staggering. Several billion dollars might be well spent protecting still useful land against the ravages of wind and water. A test made with, say, fifty millions a year, would quickly develop new, cheap methods of erosion control; and, within ten or fifteen years, repay the investors handsomely.

Commercial reforestation offers a similar opportunity on about the same scale. The chief reason for the failure of private funds to flow into this field is the long delay in getting any return. Even the swiftly growing loblolly pine, now being cultivated for pulpwood, makes its planter wait ten to fifteen years for his first return. So research is needed to hit upon a method of getting a small income from reforested land while the main tree crop is coming along.

I often refer to the 300,000 carbon compounds whose formulas are known but have never been tested to the point of finding a use for each. The odds are a thousand or better to one that a company which spent a hundred million dollars trying these compounds out systematically would make half a billion dollars sooner or later. The trouble has been that twenty years might pass before the big profits started. Once we know that capital must be spent on the future and not on the present, we are not distressed by this long

delay. What are twenty years in the career of a great civilization?

Man's most terrible foe is the insect. Hundreds of thousands of dollars must be spent finding ways of exterminating the ancient possessor of our globe. Either the insect goes, or we go. Fortunes can eventually be made by those who will persist in seeking insect controls. Ten years may pass with no results. Twenty. Fifty. What of it?

To find uses for common weeds, more fortunes must be spent. Here quick results may well be possible in some cases. To tap the inexhaustible energies of sunlight, winds, and tides, enormous sums must be invested in decade-long investigations such as that bold pioneer engineer, Claude, has been blithely conducting with his deep-sea power plant that utilizes the temperature differential between surface water in the tropical seas and the cold of the deeps. Here the rewards will run into the tens of billions, of course. And every scientist knows that a solution is possible.

How easy to spend three or four billions a year in an even thousand investigations conducted in the grand manner! The entire net profits of all American corporations could be thus diverted for an indefinite term of years, with the absolute certainty that scores of new

## THE CRISIS OF MACHINES

industries would be opened up, fresh outlets for enterprise, for technological ingenuity, and for capital created, and the entire human race lifted to ever higher levels of living.

At two universities, Wisconsin and Purdue, you find a Research Foundation which undertakes all sorts of scientific tests and studies in matters relating to industry and its products. As far as possible, it charges fair fees and reserves to itself various rights to royalties, licenses, and so on. By and large it follows a course which I have advocated for many years; so I cite it with glee. The old-style colleges and their trustees frown upon the plan as mercenary; yes, even a degradation of the scientific spirit. They fail to mention that their own brand of college has been exploited to a fade-away by great corporations, which have advanced a few thousand dollars for a special inquiry in a college laboratory, only to receive therefore a precious discovery or invention which, in a few years, pays a thousand-fold for the outlay. As the trustees have often been heavily interested in these very corporations, the faculty could do nothing about it save froth in private. And academic froth butters no parsnips.

When the middle class comes to its senses, it will compel every university and technical school that receives even a dollar of public

funds to make a fair profit on every technological advance achieved within its laboratories. It will see to it that the profit is plowed back, *not into an old business but into further research which may create a new industry or technique*. For the promoting and financing and advance underwriting of the Future is the only insurance we have against the total collapse of capitalism and the middle class. This is the only program big enough, long enough, and costly enough to absorb profits and so prevent accumulation of excess capital funds in existing industries.

*Profits Through Regional Production.*

Profits result from selling something to people who want it and haven't got it. In a certain sense, the thing cannot be sold unless it is scarce. It must be scarce in a particular place and at a particular time.

The seller must have the thing in a certain abundance. He must have enough of it himself, over and above what he offers for sale. Then he must deliver the salable portion to the buyer. Hence arose our enormous system of world transportation. It serves only one major purpose, and that is to move marketable surpluses into regions of deficits.

The capital invested in this system runs into the tens of billions of dollars. During the next



quarter-century much of this must be written off the books, for the technological trend is toward regional self-sufficiency.

Moving millions of tons of wheat, cotton, tobacco, coal, iron, and copper overseas and from continent to continent is shockingly expensive. To reduce the cost is the obvious aim of every engineer and manager. It is becoming the goal of the statesman, too; for he, last of all, is beginning to realize that mere cheapness is a poor substitute for security.

Better pay a dime for home-grown wheat than take the chance of starving as a result of failing to get five-cent wheat from far places, during war or famine. Most economists do not understand this; they still argue that we must buy from lands that grow things most cheaply and from workers who make articles most cheaply. But no social technologist would admit such reasoning.

Nobody has tackled the large question of determining just how much of the world's trade could be abandoned by making regions everywhere self-sufficient up to their practical limits. We do know cases which suggest amazing possibilities. Only four years ago Americans were importing farm products which could be grown somewhere in our own land almost or fully as well as abroad; and these same products,

if home-grown, would keep some ten million acres of land busy.

Canadians ship milk into New York City by the trainload; yet most of the needs of the metropolis could be cared for by dairymen within one hundred and fifty miles of Broadway. Michigan grows the finest potatoes, yet often buys from New York State. Wheat is moved into Baltimore from the far West, yet within seventy-five miles of Baltimore there are thousands of acres of excellent wheat land on which the grain might be grown and delivered even more cheaply than Western grain.

Our next advance in technology, it seems to me, is going to be in perfecting regional production so that counties and states within America come much nearer to self-sufficiency than was deemed possible a few years ago. Super-power was the first step in this advance. The second step will be the designing of new machines intermediate between mass-production types and domestic.

Millions of dollars may wisely be spent in developing machines suited to supply neighborhoods with heat, light, power, clothing, refrigeration, processed foods, and many other things. As people move out from huge overcrowded metropolitan centers, they will demand more and more urgently all the comforts of big-town life.

This creates an enormous market which some day will measure its volume of business in the tens of millions.

*The Problem of the Profitless Fields*

Now, as long as the workers in food, clothing, and shelter adhere to the ancient ways of handicraft, they must be many. As long as they are many, they prevent the larger development of the money-and-profit system; for producers in this system must sell at some profit, but these masses cannot buy anything save bare necessities. This crisis has been reached in America. It is the dilemma of buying power. We have underconsumption rather than overproduction. Farmers, textile workers, cloak and suit toilers, carpenters, masons, and all the other elementalists cannot buy much. They make up a large fraction of our total population. So we must take their plight seriously.

What can we do about them? Only two courses are open. Each runs through troubled waters. The first course is to fix wages and prices in the elemental production fields so that the workers can stick to their tasks, perform them in the same old way, go on living where they now dwell, and generally hold to the ancient designs, but with incomes which allow a margin for the purchase of comforts. The second course is to go the limit

with technology, supplant the workers as fast as possible with labor-saving equipment, transfer the discharged workers to other fields or else set them up in subsistence homestead colonies, and in this manner reduce the cost of food, clothing, and shelter to all other citizens so considerably that the latter will be able to buy still more comforts and thus take up the slack caused by the poverty of the elementalists.

In my opinion, the first course may be followed only as an emergency measure. It does help suffering people through a period of sharp distress. But it also checks technological progress toward the era of abundance. To perpetuate the small-scale farmer is to perpetuate costly foods. To perpetuate the ten-dollar-a-day plumber and his pottering craft is to perpetuate expensive homes. Technology can now produce food at about half the cost of quarter-section farming. It can build homes twice as good as the carpenter-made kind and at one-third less cost. The handicrafts serve us ill. If we do not cast them into outer darkness, they will wreck our civilization. They are survivals from barbarism. And yet we have to nurse along the workers until we can evolve a permanent reconstruction.

The second course—that of high-pressure technology—is the only rational one. Sooner or later we shall pursue it. Then, instead of buying

## THE CRISIS OF MACHINES

costly food from 6,250,000 farmers, we shall get all we want from half a million; and it will be cheaper and better. Instead of setting a score of outmoded craftsmen at work with hammers and trowels to assemble a thousand sticks and stones into a house, we shall order factory-made homes delivered and set up, ready for occupancy within a week. They, too, will be cheaper and better than the tinker-made type.

As we are now considering only the future of capitalism, we cannot answer the vexed questions arising about the disposition of the workers displaced by technology. That would fill a volume. But we must clear up one point.

*Each field of production and service must be managed either by government or by private enterprise (and perhaps occasionally by both jointly).*

*When a field becomes profitless (or nearly so), then private enterprise tends to desert it. Hence it falls to government by default, provided of course that its development must be continued as a matter of public policy. (Trivial fields would be ignored by government.)*

*A field may become profitless as a result of overproduction by workers who accept low living levels, or as a result of inadequate capital and costly production. In either event it must be taken over by government if its products are necessary.*

## CAPITALISM CARRIES ON

*Thus the ancient fields of food, clothing, and shelter will, as they sink from low profit to no profit, tend to become public utilities. And they will be withdrawn from the profit system by government as a matter of public policy.*

*Capitalist defenders would do well to recognize this tendency and to refrain from criticizing government. For the only alternative to the public utility here is the regimentation of investment funds for the developing of profitless fields.*

Reduced to its lowest terms, all this means that, if capitalists will not spend money providing food, shelter, and clothing for the impecunious masses, the government must either draft capital for this purpose or do the job itself. The only other solution is to drive the penniless out of the economic system entirely and allow them to exercise their inalienable right to starve to death.

### *Capitalism Stalls the Motor*

Let me get down to cases. In his radio talk of September 30, 1934, President Roosevelt declared that he would stand or fall on his program to abolish unemployment. With fine courage and nobility he said he could not conceive himself satisfied with even a small army of permanently idle Americans living on a dole. The coming year, then, is going to be one of

intense activity to force employment up toward its pre-crash level.

*The Case for Credit Inflation.*

What if the President succeeds? He must create a credit inflation in order to do so. To give jobs to 12 million idle men at only \$500 each, yearly, he must enable employers to raise 6 billion dollars in wages. If, as is commonly the case, wages make up roughly one-third of gross production costs in industry, employers must raise a total of some 18 billions within the year.

Suppose, furthermore, that employers agree to run along for one or two years without profits, as many are now doing. The first year's output of goods could then be sold for 18 billions plus transportation costs and other lesser items—let us say, just to keep our estimates low, a grand total of 22 billions. Now arises the delicate question: what will consumers use for money, when they go to buy these goods?

In the fall of 1934, the member banks of the Federal Reserve System had on deposit almost 27 billions, of which about 16 represented loans by banks to depositors and 11 represented money withdrawn from trade and investment. Strictly speaking, then, the largest amount of money available for loans to manufacturers and

new buyers is 11 billions; and, as anybody might surmise, this sum could not be so diverted in its entirety during a single year, as it does not belong exclusively to those who would be making or buying goods under the proposed back-to-work drive of 1935.

To give 12 million men jobs, fully 44 billion dollars must be raised, half for makers and half for buyers. Suppose, solely for argument, that the manufacturers could turn over their working capital three times in the year; then they would need a primary credit of only 7.3 billions. But the consumers would still need 22 billions for the year. It is quite possible that nearly half of the unused deposits in the banks might be loaned to manufacturers; so they would get 5.5 billions, thus leaving only 1.8 billions to be raised elsewhere for one turnover of production.

But banks cannot lend to the little fellows for consumption purposes. You can't get \$500 from your bank to buy a new radio and an ice box and skates for little Willie, unless you put up collateral security. Foolish folks *do* put it up, but sensible men will not.

State banks, trust companies, and private banks hold some 23 billions. Not more than half of this is idle money, so that here are 11.5 billions *conceivably* available for the Roosevelt program. Let manufacturers have, of this,



## THE CRISIS OF MACHINES

the 1.8 billions which the Federal Reserve banks could not lend them; and there remain *conceivably* 9.7 billions that might somehow be switched to the little fellows for purchase of consumption goods.

Let us sum up.

In all kinds of banks, we find not more than 22.5 billions of frozen deposits which *conceivably* might be loaned to manufacturers and to consumers who are able and willing to put up collateral security.

Manufacturers must have 7.3 billions, if they average a three-time turnover in the year.

This leaves 15.2 billions *conceivably* for consumer borrowers. If bankers could be persuaded or compelled to lend this, somebody would have to raise 6.8 billions more to buy all of the 22 billion dollars' worth of new goods sold at no profit.

A federal loan fund could be set up for this purpose. That would constitute credit inflation. Would it start the ball rolling? Would it keep factories roaring and chimneys belching?

Alas, no! If you will have patience with a little more arithmetic, you will discover something of appalling importance. It comes to light when we answer the two crucial questions: Who will buy? And what will they buy?

Who will buy? Here is my best answer:

## CAPITALISM CARRIES ON

Because the government hides incomes in these discouraging days, one must turn detective in order to dig up clues on this mystery. Errors are unavoidable. Methods are difficult. Were I to report all the devious ways and means I have used to reach the following estimates, you would be bored stiff. So I submit my conclusions only. I have smoothed off all totals, so as to make easy reading. No essential distortion results.

There are now, in early 1935, about 127,000,000 of us. We fall into five broad income classes thus:

Upper class, very rich, about.....	500,000
Middle class.....	12,000,000
Self-supporting workers, farmers, and small business men, around.....	34,500,000
Marginals, earning most of their livelihood but receiving a little aid in some form, at least.....	15,000,000
Submerged idle, mainly on relief.....	<u>65,000,000</u>
Total.....	127,000,000

If we refuse to count as income the relief money given to the needy rich and the needy poor, our personal incomes cannot run above \$43,625,000,000—or some similar figure.\* It distributes about as follows:

\* My estimate of personal incomes runs a little higher than some other carefully calculated figures. Thus, the International Statistical Bureau, which makes monthly computations of income based on various current records, states that consumer incomes reached a point in August, 1934, which, if sustained through the coming year, will make the annual income for 1934-1935 about \$39,720,000,000. This is near enough to my figure to be acceptable; but to use it would make a still worse case for the recovery program.

Since my estimate was made, the Department of Commerce reports the 1933 national income at about \$46,800,000,000.

## THE CRISIS OF MACHINES

The upper classes get \$10,000 each, or. . .	\$ 5,000,000,000
The middle classes get \$1,000 each, or. . .	12,000,000,000
The self-supporting workers, farmers, etc. get \$500 each, or. . . . .	17,250,000,000
The marginals get \$300 each, or. . . . .	4,500,000,000
The submerged get \$75 each, or. . . . .	<u>4,875,000,000</u>
Total. . . . .	\$43,625,000,000

Bear in mind that these incomes are worked out on a per capita basis, not on a family basis. I have done this in order to disclose the consumer psychology, which is the key to our present problem.

To learn what a man has to spend on goods and services, we must subtract from his income all debt charges. Again the government figures aid us little here. We must go sleuthing. We find that, before the heavy spending of the New Deal got well under way, the average per capita charge for long-term debts only was \$77 a year. This includes interest and other items on public works, homes, automobiles, and other things paid for over a period of several years. (Automobiles paid for within one year are not counted here; so most of them are out.) We must now add at least \$10 to cover the long-term fixed charges of carrying some 20 billion dollars spent by the Roosevelt administration. Allow another \$3 for lesser unrecorded charges of like nature, and you find that each American must face an annual charge of \$90 on account of old debts alone. If he has borrowed from friends, he must add that to his budget.

You instantly observe that *not one dime* of these charges will be paid by any of the marginal and submerged Americans. They haven't the dime.

The rest of us must foot the bill, whether we like it or not. The bill, I regret to announce, amounts to 7,200 million dollars a year. And God knows for how many years it must run on. More than ten years, in any event.

Let us suppose that it is spread evenly over all individuals in the upper, middle, and self-supporting classes. How would that work out? Here's the picture:

Some 47 million citizens would pay a little more than \$153 a year each, to carry the defaulters; and then would pay their own \$90 each. In all, \$243 a year each for fixed debt charges on long-term obligations! All because 80 million other citizens are too poor to carry their share of the shocking burden.

Look back at the catalogue of classes and incomes. Our 34.5 million self-supporting workers, farmers, and small business men are getting \$500 a year each. If they hand out \$243 of this to carry debts other than current personal obligations, they have left only \$257 to live on for twelve months! *or seventy cents a day—for all expenses!*

You need not be a political genius to reach the conclusion that these sturdy, hard-pressed

## THE CRISIS OF MACHINES

folks are going to laugh at the collector who presents them with old debt bills for \$243 a year each. If you have ever talked to a Corn Belt farmer or to a city mechanic, you know that neither will ever submit to such a wholesale assault upon his living standard. States will secede before that happens. And no army will march to attack the rebels.

Well, then, what next? Simple enough. The creditors will put pressure on the two other classes with the highest incomes. Pressure on the half-million rich, on the 12 million middle-class folks. Let us suppose that the self-supporting workers and farmers will reluctantly pay their personal debt charges of \$90 a year each. Then they pass on to the rich and the middle class the 7.2 million dollar annual debt charge which the 80 million poorest citizens cannot pay. And then?

Spread evenly over the 12.5 million rich and middle-class people, this buck-passing debt charge amounts to \$576 per capita every year for untold years. Let each of these suckers then pay his own fair share of debt charges, which is \$90 a year; and his total burden rises to \$666 a year.

The middle-class people average \$1,000 a year income today. Subtract these unbelievable charges, and you leave each man, woman, and

child with \$334 a year for food, clothes, shelter, insurance, and other good things. *Or ninety-one cents a day for everything!*

All our physicians, lawyers, engineers, teachers, professors, scientists, and technicians, as well as all our executives below the rich class, would sink to living standards below those of the household servant back in good times. America would go European at the top and Asiatic at the bottom. (I've been pointing out this trend for fifteen years, but few seem interested in it.)

Now for one last assumption, which is hardly worth considering. What if we followed the advice of radicals and confiscated the property of the rich? What if we made them use 90 per cent of their incomes to carry those horrible debt charges? This would reduce each of the rich to \$1,000 a year net, thus putting them all in the middle class. It would release about 4.5 billion dollars for debt charges. But there would still remain to be paid something around 2.7 billions on that same account. If this were charged to the middle class, the burden would be \$225 a year; so that, with the proper personal charge added, each member of that class would be paying on long-term debts \$315 a year. There would be left \$685 a year for current living expenses.

## THE CRISIS OF MACHINES

This may or may not be grotesque. I offer it merely in order to present every possible solution of the problem. We are now ready to return to the original question:

Who can and will buy the products of those 12 million workers who take jobs under the proposed Roosevelt program? Who can and will spend 22 billions every year for at least three or four years, in order to start the revival of good times?

The new jobs will go chiefly to the marginal and the submerged groups. Assume that four million marginals and eight million submerged are taken on. Their average wage is \$500 a year. (Below NRA codes, to be sure; but let's keep costs down, so as to make our problem as easy as possible.) The average family in these classes runs close to four members. So the new pay envelopes raise incomes by \$125 per capita-year; that is, to \$425 among the marginals, and to \$200 among the submerged in the families so benefited.

All of the marginals are benefited, and about 32 millions of the submerged. But we still have on our hands about 33 million submerged for whom no work has been found. Let their problem rest for the moment.

Can these millions of new workers and their dependents afford to pay their long-term debt charges after their wages flow in? Surely not.

They still must live below the lowest American standard. To lop off \$90 a year would be utterly impossible. So we are back again in the old impasse. That mountain of annual debt payment, that 7 billion dollars a year defaulted by the lower income classes must either be paid by the three higher classes—or it must be defaulted, directly or indirectly.

Now we reach the ultimate dilemma of Roosevelt. If he protects all creditors to the limit, he casts a debt burden on the middle and rich classes which reduces them to the level of merely self-supporting people. On this level they cannot and will not buy anything beyond simple necessities of food, clothes, and shelter. The American middle class will be utterly destroyed. A proletarian commonwealth will remain—at least for a time.

If, on the other hand, Roosevelt believes that the middle class must be protected at all costs, and to that end he takes steps to enable its members and the self-supporting workers to carry on as they now are, but relieved of the 7 billion dollars-a-year debt charge, then he must conjure this charge out of existence.

He may choose either of two magics. First, he may pass laws canceling the charge outright. This is straightforward repudiation. It wipes out the creditor classes, wherever they may be, here



## THE CRISIS OF MACHINES

or abroad. Secondly, he may pass other laws which, while nominally protecting these debt charges, really wipe them out by a series of cunningly timed credit inflations in the form of federal bond issues to finance consumer buying and the making of consumption goods. The bonds would be forced on the Federal Reserve member banks in the usual manner. At least sixty or seventy billion dollars of such credits, spread over three or four years, would surely start heavy spending. The present dollar would decline fast in value, probably to some point around thirty cents.

As soon as this decline became unmistakable even to the dullest investment bankers (say, six months after it began), capital would begin flowing out of the endangered creditor securities, such as bonds and mortgages, into places promising reasonable safety of principal, such as basic land and the common stocks of those industries which were getting the new business financed by federal credits. The timidest investors would eschew even these forms and would ship their funds to foreign countries where, in their judgment, capital was safer; or they would buy silver or gold bars.

Were inflation thus spread over three or four years, it might be controllable; and it might also enable forward-looking people to shift much of

their savings into forms that would not be ruined by the shrinking worth of the dollar. But they could not dispose of long-term bonds, mortgages, and notes without passing along the injury to the buyers.

So I deem it safe to say that whoever is now holding such securities holds insecure things. Some large fraction of their present value is certain to evaporate; if not by repudiation, then by inflation. No third course is possible.

Who stands to lose most then? Our poor old friend, of course, the middle class. It is the only large class whose members have saved much money in years gone by. Careful studies show that they invest about one dollar out of every six saved in bonds. They seldom buy common stocks; it is the rich man who picks up these, as a rule. So they stand to lose on preferred stocks, whose dividend rates are fixed in terms of dollars. Of these they buy up to almost one-quarter of their savings. So about 41 per cent of all their savings are in securities which will be harmed by inflation.

Facing this crisis, will the middle class spend borrowed funds at the President's order?

I fear not. Not knowing what the morrow may bring forth, they intend to play safe. They may gladly borrow a few hundred dollars to repair the old homestead—but not ten thousand to

## THE CRISIS OF MACHINES

build a modern home. Thus we come to the distressing deadlock in the housing program.

For several years I have been puzzled over the delay in this program. But now I understand it. *There is nobody to buy new homes.* The rich need few, if any. The middle class, seeing destruction just around the corner, does not dare tie up a dollar. The self-supporting workers and farmers have neither cash nor courage for such a venture. They don't know where they may be living five years hence; so why go in debt for a home you may use only a few months? As for the eighty million marginal and submerged folks, no architect has yet designed an edifice that fits their tenuous purses. They must go on inhabiting pup tents, dugouts, and holes-in-the-wall until the FERA architects produce in quantity the thousand-dollar houses on which they are now working.

It has often been said during the past two years that the heavy industries (including the durable goods industries, of course) must be revived, for on them the now idle workers depend for jobs. Unemployment in these fields persists at peak. It is at its worst in the building trades and in the industries which furnish materials to these. So let us stimulate building!

Well, what might be built? If homes can't be sold, what can? Apartments? No. Factories?

Absurd! With thousands now empty, it would be madness to erect more. Railways? Sillier yet! Must we then come back to public improvements—such as transcontinental highways, drainage and irrigation projects, public buildings, and so on? Yes, unless we have the nerve to try some wholly new project.

See what this implies. Our heavy industries are on their way to join the army of the permanently unemployed. That is, some large fraction of them is thither bound. They expanded too fast during and after the World War fiasco. And lately their prospective customers have been wiped out. Like our worthless workers, these factories and their owners are on the way to being supported by doles. Whether they will come to the end of that dismal road depends upon what the middle class does in the next three or four years.

### *Social Credit May Save Us.*

The middle class may force the government to adopt some new form of social credit, as a way out of the present capitalist impasse. Whether it will favor Major Douglas' plan or some home-made one will probably depend upon political and business conditions at the time the great drive starts.

## THE CRISIS OF MACHINES

But the essence of all social credit is the providing of means to make and means to buy for use, regardless of momentary embarrassments of personal debt. People who need food get it when and where they need it, under social credit; but they must render services or turn in goods for it sooner or later. Hence their credit is as good as their lives, in one sense. The youth may buy on the basis of a forty-year settlement, while the octogenarian buys on a short-term basis.

Social credit in its familiar forms always involves some important change in basic capitalism. But it does not lead to the abolition of capitalism, so far as I can understand it. True, most of the proposed credit would be used for buying elemental necessities, most of which will soon be produced on a non-profit basis. But this leaves all the wider ranges of expanding industry open to the business man. Merely because a few large fields which once were profitable to till have ceased to be profitable, we cannot conclude that capitalism is on its way to destruction. It is merely moving onward with the times.

### *Does Technology Doom Capitalism?*

Now we come to one of the hardest questions. It has to do with capitalism and technology. Radical writers declare, in the words of Lewis Corey:

## CAPITALISM CARRIES ON

The higher composition of capital means an increase in the productivity of labor. More of the work is performed, and more efficiently, by mechanical equipment, which lessens labor and permits the transformation of larger amounts of raw material into goods. . . . The inner urge of capitalism is to displace labor and the wages of labor. . . . Hence . . . the misery of an increasing surplus population of unemployed and unemployable workers (including professionals).

This displacement of the workers, they add, defeats capitalism in the long run, in that it reduces the volume and value of goods consumed and so slows down all factories. Capitalism cannot dispense with technology, and technology pauperizes the worker masses thereby clogging the channels of mass consumption. So the end of capitalism is in sight.

Now it would be silly to belittle this argument. It presents grave difficulties. It is true that the less money is paid to men, the more remains to be divided between machines and money. So, if the promoter can squeeze labor, he and his clients are sure to have a fatter split. The most refined way to reduce men is to reduce the number of men needed for a given operation. And that means designing finer machines and processes. No promoter can design such. A promoter seldom has even a spark of creative ability; he is a manipulator driven by the money motive alone. So he must hire scientists and engineers

## THE CRISIS OF MACHINES

and technologists in chemistry to devise machines and processes which will abolish other workers.

In short, the money trafficker buys up the middle class in order to exterminate the worker class.

Now the original question breaks down into two.

First of all, is a capitalism without extreme technology workable?

And then, is there any way of retaining extreme technology in a capitalist system without ruining almost everybody?

The first is easy. Capitalism began and thrived for many generations without an advanced technology. That type of society lingers in our modern world, as an odd survival, to be sure, but still as a genuine system. Little nations like Iceland and undeveloped places like South Africa have genuine basic capitalism with primitive technology—and seem to like it. There is no reason to believe that scores of minor nations may not take fright at the ravages wrought by uncontrolled capitalistic technology in the overlarge, unmanageable countries and prevent by law the encroachments of that evil. They may accomplish this by fixing wages relative to prices and by regulating the flow of free capital in the light of public policy. Such control by no means abolishes private property. It limits

## CAPITALISM CARRIES ON

individual initiative scarcely more than our criminal laws limit it when they prohibit and punish theft. It limits competition but does not check it. And while it certainly reduces the level of profits, it need not wipe out all profits. Intelligent capitalism takes the place of money-mad capitalism. The middle class resumes control of affairs. Sanity drives out the devils.

In our own land, this first question is purely academic. We have the highest technology no less than the highest anticapitalistic money traffic. We do not wish to give up the good things which technology has brought us. So our problem is the one set forth in the second question. Can we keep high technology in a capitalistic economy without wrecking everything?

The radical writers pronounce this a hopeless venture. They tell us that a lethal contradiction lurks in the accumulation of capital. As investments in a given plant increase, overhead grows. Idle time increases. The owners and their bankers fight to forestall a drop in profits. So they cut wages and salaries. They introduce more productive machines and processes. They hunt foreign markets, slip over shoddy substitutes, and resort to other desperate measures, all of which automatically reduce sales simply because the eliminating of workers, and wage cutting, reduces consumer buying power.



## THE CRISIS OF MACHINES

Now what's wrong with this picture? The error is concealed in the initial assumption that profits must be plowed back into the business that earned them or else into other existing businesses. It is only when this is done that plants overexpand. It is only when this is done that an industry becomes overcapitalized and finally washed away on a tidal wave of watered stock.

Radical writers ought to tell us why profits must be plowed back thus. That would indeed be news. If I make a million dollars in my shoe factory, what is there in my own personal nature or in the nature of capitalism that drives me inexorably to invest these profits in my shoe factory, or in another shoe factory, or even in any other running business? Why couldn't I buy a big yacht? Or open a laboratory for research? Or build houses for my workers who are poorly housed? Or try out some brand-new business? Or lend money to my workers at 1 per cent so that they can buy more and more goods? Or get a big farm and test out new seeds and tillage methods? Or any of a million other things?

Well, as a matter of current history, thousands of people do just such things with their profits. I could fill a book with stories about them. No accumulating of capital here! And why

not? I think I know more than half of the answer. It may surprise you.

Capital tends to accumulate dangerously in most industries as a result of just two factors. First of all, nobody knows how to determine in advance the saturation point of any given industry in terms of useful capital. Hence all of us are in danger of investing more than the particular field can use profitably. Secondly, the money traffickers are ever urging investors to put their funds into stocks and bonds of companies controlled by these promoters. For the promoters are after the commissions and care little for the eventual success of the investment. Thousands of people with profits in hand and hundreds of thousands with small savings entrust their money to these investment counselors and less reputable ballyhooists of Wall Street.

But how does it happen that these fellows put so much new capital into old lines of industry and trade? For psychological reasons, chiefly. Investors fall for the familiar instance. If I tell you that Henry Ford made a billion in automobiles, you know I am telling the truth; and your familiarity with motor cars, as well as with the tale of Ford, impels you to go and do likewise. But if I say that there will some day be a rich business in three new coal-tar products, you shy off. Habit doth make suckers of us all.

## THE CRISIS OF MACHINES

We are like poor old Al Smith; we trust to past experience more than to analysis and experiment with new things. What has been will again be. The old success is a guide to the new fortune. So we buy automobile stock and turn down the unknown, never tried coal-tar products.

Promoters have been responsible for nine-tenths of the erroneous investing of billions in fields that were well capitalized before the promoter came along with his ballyhoo. If you doubt this, take down the records of the last twenty billion dollars invested in our country (not counting recent government relief funds, of course). Find out—as you easily may—what firms promoted the securities. Then ascertain the condition of each business before and after the new capital was poured into it. A long job, but well worth while! The railroads, the movies, radio, aviation, petroleum, office buildings, apartment houses, hotels, almost everything old and new alike has, at various times, been exploited by the money traffickers and overexpanded to the point of ruin.

Had these excess funds gone into new lines, had they gone into laboratories and experimental work, the evils of excessive overhead and carrying charges which radical writers declare to be the first stage of decline in the system would not have arisen at all. Men spread their money

unwisely. Had they spent it all on chewing gum and detective stories, the world would have been much better off. The few individuals who laughed at the promoters and used their funds according to their own whims or judgment can thump their chests in pride today.

To sum up, capitalism can carry on just as long as new fields open up and men are more interested in enjoying life than in accumulating stocks and bonds.

### *The Time Stream and the Entrepreneur*

In the time stream capitalism moves onward a little ahead of mature technology and a little behind fresh research. It is steadily forsaking fields where perfected techniques are wiping out profits. And it advances cautiously into areas where scientists are on the verge of discovering new things and new ways of making them.

To improve the description, let us speak of this time stream as having three phases, Yesterday, Today and Tomorrow. The man of enterprise in quest of profits is forever moving away from Yesterday and toward Tomorrow. The Yesterdaymen are the people of the finished, static ways; all their activities have become highly stereotyped, perfected, universalized, incorporated in the social tradition, and hence common-

## THE CRISIS OF MACHINES

place. They have reached the peak of abundance and easy going. Scarcity has been reduced to its minimum, hence there is little or no profit to be made in their fields. The law of diminishing velocities of improving technology here underlies the law of diminishing returns. So the man of enterprise withdraws his funds from those fields and advances into areas of scarcity.

And where does he find these? Mainly in the world of Tomorrow. Mainly in domains not yet thoroughly explored. Mainly in that undiscovered country which lies ever a few tick-tocks beyond the second hand of your clock. As the capitalist spends money speeding discoveries and inventions; as he sets the scientist and engineer up in business; as he brings the laboratory into the market place, he takes risks which few dare, gambles his possessions on his own judgment and the soundness of the investigators on whom he leans, and estimates the wholly unprovable, elusive desires of consumers. The men of research cannot and will not do this. Nor will the masses of Yesterday men. Few of these are adventurous enough. Still fewer have the requisite imagination. A chosen few must transform ideas, equations, conjectures, and guesses into tangible goods. They must bring Tomorrow into Today. And this seems to be the natural function of perhaps one or two men out of every

hundred who, as a result of such activity, are on every new ground floor and ever on the make.

I agree entirely with Stuart Chase in his remark that "capitalism cannot stand still without disaster. It must move forward to keep in equilibrium—like the Red Queen." Surely no thoughtful capitalist would challenge this statement, would he? Ever since industrialists and promoters began, they have been converting the non-existent into the commonplace and snatching out of thin air vast empires of goods. They have made the scarce abundant, at a price. And they will go on in the same manner as long as this is possible.

The ticklish question though is whether such progress is possible. Here the world splits into two camps. Stuart Chase represents the camp which denies further capitalist advances. He believes that the old system has outlived its usefulness (if ever it had any). The problem of production, says he, is solved. All that remains is to distribute an endless abundance of goods in whose making little or no profit redounds to the owners of machines. So we leave the age of producers and enter the age of consumers. I join the opposite camp, with certain cautious reservations. I cannot accept Chase's definition of capitalism as private ownership of the means of production; nor can I bring myself to believe

## THE CRISIS OF MACHINES

that, even if and when all production mechanisms shall have been completed to the point of reducing profits to something like zero, all individual initiative, all private ownership, all exchange of goods and services, and all earnings over and above wages must cease. I easily foresee a world just as full of service corporations as today's world is full of automobile factories and smokestacks. I foresee this service being invented, organized, promoted and sold exactly as hundreds of varieties of service are today. A billion-dollar corporation engaged exclusively in vocational training is, to my mind, quite as possible as a billion-dollar automobile corporation.

Strictly, then, we face two questions here. One is this: how much farther is the world likely to advance in material technology? The other is this: after we shall have gone to the practical limit of material technology, will we find new fields of private enterprise and profitable promotion in other things besides the making of goods? It is my conviction that capitalism will carry on into fields of technology as yet scarcely dreamed; and, after these have been conquered, it will move onward and upward into domains of social technology, a realm whose existence few people now living accept.

On its way, though, it encounters a tremendous danger. It has not yet learned how to avoid it.

I feel sure it can learn. But unless it does so soon, it may come to grief. This danger is the superior velocity of the inventive mind.

*Minds Outrun Money.*

Minds outrun money. Clever wits change the world faster than investors can shift funds from one form to another. In this financial lag lies the gravest menace to capitalism.

Smith owns a soap factory which yields him a 5 per cent profit until, one fine day, his friend Jones invents a new chemical for cleaning things. Smith's engineers warn him that Jones will drive his soap off the market within four years. Smith pooh-poohs for one year and then reads the handwriting on the soap box.

He tries to acquire another invention as good as Jones's. He cannot. He argues with Jones to let him in on the ground floor, at a price. Jones smiles and shakes his head. Why split a good thing? So Smith finally tries to sell out. With great luck he does so by taking a loss of only 20 per cent. With no luck at all he is stuck; and, let us say ten years later, has an almost worthless soap factory on his hands; a souvenir of the good old days.

Multiply this by a million, and you have a rude panorama of the new warfare between Big Business and Swift Technology. Time is the very essence of life, of contracts, and of profits.



## THE CRISIS OF MACHINES

Ideas move onward a thousand times faster than money. Once a building is erected, once a machine has been purchased, once offices have been opened, the owner gives hostages to fortune. He is bound to the hands of the clock. He cannot withdraw on a moment's notice. He must tarry. While he tarries, clever wits dart ahead of him and devise better ways of making and selling things. He cannot overhaul them, still less prevent their going on and on.

This is the tragedy of tempo. This is the plague of capitalism today. But it would also prove the plague of any other economic system in which technology was allowed to expand at natural rates. So far as I can think through the matter, such technology would destroy property just as surely in a collectivist state as in a capitalist society. For the effect does not depend at all upon who owns the buildings and machines and methods which are made obsolete over night. Russia may lose tens of billions some fine day, as a result of her eager engineers and her active scientists.

Do you wonder that a few serious and highly intelligent people, especially in England, have been urging us to put the brakes on technology, for everybody's sake? They have a case that cannot be lightly dismissed. It raises the deepest of all issues, the issue between Justice and Progress.

*Controlled Capitalism*

**Y**OU have seen the menaces to capitalism of the crises in men, in money, and in machines.

In these crises, some men will use their full powers to extricate themselves. Others will think clearly but will not act. Still others will neither think nor act.

To make confusion still worse confounded, those who think and act will break up into clashing creeds and cliques. Listening to all the battle cries, we are befuddled. And few clamors and protests confuse the basic issues more than the wails that the firm hand of federal control threatens the collapse of capitalism.

Listen to the enraged yelps of Big Business at the "regimentation" of business and industry, as the government steps in to limit the free and usually chaotic play of individual enterprise and initiative, so-called free competition, and the piling up of colossal profits.

Hear the mournful dirges at the passing of capitalism and the entrance of State Socialism. All such protests, loud and feeble, come from poor observers and illogicians. Do not be con-

## CONTROLLED CAPITALISM

fused by them. For all such protesters fail to define their terms.

They give twists to the term capitalism like, for instance, that of Mark Sullivan. He identifies capitalism with American individualism. (See his article released to the newspapers on March 10, 1934.) You might as well identify capitalism with homeopathy. Again consider the startling remark of Nicholas Murray Butler that there isn't any such thing as capitalism; it is only a by-product of individualism. This remark is not one-tenth so absurd as Sullivan's; for there is a peculiarly limited sense in which capitalism derives from individualism. But it is a pity to spoil this statement by adding that capitalism does not exist. It is surely as real as the Federal Reserve Bank System, or as the dividends of Standard Oil.

A Methodist preacher is sent to jail for stealing chickens. As the doors clang behind him, does he cease to be a Methodist preacher?

A red-headed Irishman, having thrown bricks through his neighbor's window, is arrested, sentenced to thirty days, and then put on probation. As he walks out of the courtroom under the eagle eye of the probation officer, does he cease to be either red-headed or Irish?

A railroad, built by some rugged individualists away back in the eighties, does sundry things

## CAPITALISM CARRIES ON

which vex the people who must live along its tracks and ship goods over them. These harassed citizens arise one day and put the railroad, its directors, and all who work for them under firm regulation. Does this act change the railroad into something else—say, a tugboat?

Yes, these are foolish questions. But they differ not a whit from one which many a reactionary critic of public affairs has been asking and answering lately. Seeing new controls over various phases of our economic affairs being fashioned almost daily, they cry out that capitalism is being destroyed. They see Communism in the offing. But, when the affrighted citizenry rushes up and inspects the alleged ruination, it finds the essentials of capitalism intact, not even scratched. Individual initiative remains. Private ownership remains. Competition remains, but under firm control—like the chicken-stealing parson in jail. Interest on loaned funds remains. Profits remain, though perhaps somewhat attenuated. Nor is there any evidence that any one of these may later be dropped out of the picture.

Let us exhibit the very worst case, that of rigorous crop control under AAA. It seems to me that the critics of the New Deal might well point with fear to the thousands of acres of cotton which mules plowed under, for the sake of keep-

ing prices up on the cotton that was picked. This surely was regimentation—and, in my opinion, a very unwise move. But was it anticapitalistic? Did it tend to undermine the capitalist system?

For the life of me, I cannot see how it did either. You might as well say that capitalism was being undermined by a fire department that turns out to squelch the flames in a blazing factory and, in the course of so doing, smashes in doors, breaks windows, and drenches thousands of dollars' worth of goods beyond all salvaging. Or you might argue that a receiver of a bankrupt firm was opposed to the profit system because he disposed of slow-moving goods at five cents on the dollar. What is plainer than the simple fact that the overproduction of cotton was a blunder that brought on a crisis worse than a hundred burning factories? What plainer than the necessity of emergency measures here?

Emergency acts follow no patterns of normal life. In an emergency you may have to kill a man on the street. Does that imply that you seek to set up a society founded on the right to murder? Let us not be imbeciles. Let us not forget that an act performed under one set of conditions implies nothing as to policy under other circumstances. He who universalizes from single cases is a fool. Beware of him.

## CAPITALISM CARRIES ON

I know nobody in or out of AAA who seriously champions plowing under crops as a general practice. I know many who advocate stern control of volume of crops allowed to enter the markets in a given season. Most industrial leaders have long pursued this practice in so far as they have been permitted. How silly to ruin everybody's business by allowing a few gluttons to flood the market! Nobody gains. Everybody loses. Production must be controlled—to protect producers, in the first instance, and then to protect consumers, most of whom have buying power only in so far as they earn wages making things or rendering services.

Controlled production is essential to sound capitalism. Uncontrolled production is mere insanity. The practical questions here are clear enough. For what purpose shall controls be set up? To what degree shall control be exercised? And who shall control what? That all control ought to serve the larger commonweal ought to be self-evident. The problem is to define that commonweal and the ways of serving it.

Capitalism free from all controls is simple anarchy, madness, and universal ruin. Better the reign of Al Capone than any such degenerate order. Soon there would be no capitalism at all.

*Domains of Freedom and Compulsion*

Inasmuch as freedom and security are, in their full expression, irreconcilable; and inasmuch as anarchy and regimentation are the respective social patterns of such extremes of freedom and security, it plainly follows that we shall succeed only through some compromise. We must be opportunists, but we should be as intelligent and as ingenious opportunists as possible. At what middle ground of reciprocal surrender and half-victory shall we aim?

I have for many years maintained that we must set up a domain of freedom which will embrace the greatest number and variety of individual impulses toward personal good things. Outside of this we must set up a domain of compulsion which will include stern regimentation for the avoiding of elemental evils such as disease, starvation, homelessness, and lack of simple necessities such as clothing, proper sleep, quiet, and relaxing exercise. We must understand from the outset that border-line interests will harass us. Some of us will insist that white bread is a necessity, while others will denounce it as a racket of the millers. Some will call freedom itself a necessity, while others will point out the sophistry of such a notion. It must be our unshakable rule to leave all such clashes of

## CAPITALISM CARRIES ON

opinion to the administrators and special juries. We must not waver in our principle because we cannot solve every concrete issue in advance of the event.

Within the domain of compulsion we encounter the question of costs. If all of us must yield time and income in order to assure food, roof, and clothing to the humblest citizens, how do so without throwing us all into bankruptcy? The answer is simple. Government must use technology to the limit. It must enforce the highest refinements in farm technique, in order to cut food costs to the bone. It must adopt the ultimate in textile mill machinery and methods, to reduce cheap clothing to still cheaper clothing. It must standardize low-price housing so that low-income families may enjoy at least decent dwellings. If labor unions howl, let them howl. If manufacturers protest, let them go on protesting. Force them to learn that they must foot the bill for the avoidance of elemental evils; and that the simplest way of doing so is to attain the highest standardization of all goods and services needed to overcome and forestall those evils.

Parallel to such a program must run an educational program which will train people to shun evils through foresight and general intelligence. All such instruction must be compulsory in the



highest degree, for ignorance costs the public heavily. Drill in diet, home making, the prevention of sickness, first aid work, and budgeting must be severe, to the point of pain.

Finally, there must be evolved a plan of eliminating the hopelessly unfit and of segregating the hopelessly antisocial with a minimum of hardship to themselves. For the rest of us have the right to pursue our own ends with the lightest possible handicap to liberty. And every idiot, low-grade moron, emotionally insane case, and incurably sick person retards human progress. Little by little, a eugenic program must be shaped so as to strike the smoothest compromise between freedom and compulsion. Nobody yet knows what it should be.

Having set up this regimentation against evils, we proceed to establish freedom for all individuals in all other fields of activity. The government will protect each one of us in the pursuit of his own interests, up to the point at which he infringes upon the interests of others. It will tolerate the youth who is driven on by an irresistible impulse to play the saxophone. But it will step in and throttle him if he plays all night in a tenement district where he keeps hundreds of toilers awake. It will encourage the college scientist to pursue his favorite investigation into the sex life of the flea, but will call out

the marines to halt the inquiry if the scientist turns several generations of fleas loose on the college campus to annoy dogs and men. And so on, from saxophones and fleas all the way up to religions and metaphysics. In the pursuit of private convictions, men will be allowed to believe and to worship whatever strikes their fancy and gives them inner peace. But they will be sternly controlled if, in applying their faith to worldly affairs, they cause grave distress to others in loss of property, health, or general comfort. If religious notions clash with public health, the government steps in to protect public health every time; and will not be confused by the ridiculous argument that religious liberty implies the untrammelled right to practice what one believes. Practice is fraught with social consequences. Hence it is ever subject to social control.

We Americans are no strangers to regimentation. On four different occasions, we experienced four "challenges to liberty." Thanks to our shocking ignorance of elemental morality and to our naïveté, we failed to distinguish between the domains of compulsion and freedom. As a result, we have been regimented into pauperdom and ruin.

The four outstanding planned economies leading to universal regimentation of Americans

## CONTROLLED CAPITALISM

now living are, of course, the military draft at the outbreak of the World War fiasco, the rationing set up by the Food Administration during the war, the compulsory buying of Liberty Loan bonds, and the "noble experiment" of Prohibition after the war. In contrast to these the planning thus far carried out under the New Deal is a milk-and-water affair.

The regimentation set up by our entering the World War should have been fought by every citizen from the start; but the British and French propagandists had so cleverly hoodwinked our Administration and our great newspapers that you poor suckers did not have a chance. Europe took your shirt and then sent you a bill for it. You are still paying on account. And you will go on paying as long as the international bankers can persuade you to do so.

In regimenting ourselves for a foreign war, we burned down the house in order to drive out the mice. The mice left. Now, as we slowly rebuild the ruined house, we find it already swarming with rats. We are very clever, we Americans.

After the war several millions of you rebelled against "the noble experiment" of Herbert Hoover and the ladies. While you were willing to go to war and be shot, you craved the right to get half-shot on gin. You didn't resist being

ruined, crippled, or slain over a quarrel of Old World gangs; but you did resent being forced to keep sober. So you forced an end to the "noble experiment."

Today we face further regimentation. Have we any clearer understanding of the morals of freedom and compulsion than we had a few years ago? I fear not. Of all the many books and articles that have debated America's next moves, I have yet to find one that even states the matter accurately. I find many so amateurish that I begin to despair of our people. Turn, if you will, to Herbert Hoover's *The Challenge of Liberty* and weep over these lines:

Liberty conceives that the mind and spirit of men can be free only if the individual is free to choose his own calling, to develop his talents, to win and to keep a home sacred from intrusion, to rear children in ordered security. It holds he must be free to earn, to spend, to save, to accumulate property that may give protection in old age and to loved ones. . . . It therefore holds that no man, no group may infringe upon the liberties of others.

Every phrase of this passage is false to the point of silliness. Not one individual in a thousand ever has been or ever can be free to choose his own calling. Herbert Hoover himself blundered into the food administration of Belgium by blind chance. And it was that which started him on his queer path to the Presidency and helped bring on the crash of 1929. The more

## CONTROLLED CAPITALISM

people there are on earth, the less free each is to pick and choose a career. Were the author capable of precise language and thought, he might have said that the individual ought not to be prevented from following the available career he most likes. This is a different proposition.

The last sentence quoted sums up all the errors of Hoover's amateur philosophizing. At all times, individuals, groups, and societies may infringe upon what Hoover calls the liberties of others. No liberties are absolute, none sacred. All are relative. Hundreds of cases arise in which it is morally correct to prevent young people from spending their time and money preparing for careers they crave to pursue. Today we ought to exert all of our influence to dissuade many young from becoming lawyers, trained nurses, and architects. Argument will avail us little against the heat of youth; so we must save them by interfering with their alleged liberty of choice. We must raise the bars against the flood of applicants for admission to professional schools, just as the most advanced of these schools have already done. This is sound public policy; for too many people in any calling cause trouble to the rest of us, no less than to themselves. That they cannot foresee this when they select careers is no argument against regulation. Hoover preaches liberty for

the adolescent, for the ignorant, for the half-wit, no less than for the mature and the wise. But this is even stupider than the worst effusions of the amateur sociologists whom this author attacks.

Few enlightened people believe that the individual has the right to rear children in the seclusion of his own home, free from all public control. True, we concede a wider range of individual freedom here than in the use of hashish or in the carrying of firearms. But we still insist upon limits.

### *Planned Economy Is Dangerous*

I distrust a planned economy. I am hopeful only of an experimental economy. The former is worse than regimentation. It is regimentation founded on guesswork. I have no objection whatever to regimentation that aims to stamp out proved evils by proved methods. I favor regimentation as a way of ending smallpox, diphtheria, and typhoid. These evils are demonstrable. So are their prevention and cure. Firm, prompt teamwork alone can conquer them. Therefore, compulsory teamwork is necessary. I object to regimentation as a way of preventing speculation and gambling. These, too, are evils just as surely as smallpox is an evil. But how prevent them? Alas, how men differ here in their answers! Some say there is no sure prevention;

others, that moral training alone will quench the fatal flame in man's breast; others, that government lotteries might absorb all the profits of speculation and turn them to the public good; others, that we ought to forbid all trading on margins; and so on and on and on.

There is a form of regimentation even worse than the planned prevention of gamblers and stock market weaklings. It is the kind to which we are brought when we try a planned economy for the attaining of good things. I call this a worse form chiefly because men cannot converge upon many good things. There is no disputing about tastes. One man's meat is another man's poison. We agree much more closely on evils than on the desirables. Murder is disapproved more widely than marriage is approved. More of us resent ground glass in our oatmeal than approve of sugar there. Wants vary enormously with age, training, income, locality, and many lesser individual circumstances. Objectionable things run pretty much the same everywhere, and their total pattern is fairly simple.

Some day men may know enough about themselves and their world to plan an economy that will regiment everybody for his own highest good. In such a society the evils of regimentation would be conspicuously slight as compared with the benefits resulting from

compulsory teamwork. Thus, I might have to give up only half an hour a day and suffer neither physical strain nor mental anguish, while working with a public squad which builds super-highways with super-machines. Each half-hour of such service might yield me, in the long run, a thousand hours of personal pleasure later in driving over these highways. A good bargain, any shrewd trader would say. Only a fool would reject it.

But the world is still far from such achievements. Some may be possible. I don't know. Let the experts demonstrate! While we wait for them, let us beware of Utopian despots. For, however benevolent they may be, they are guessers, nothing but guessers. And they guess wrongly more often than they score a bull's-eye. One wrong guess, however, may ruin a million people. And there's the rub.

I might fill a bookshelf with the proved instances of bad guessing by men in power throughout the Western world during the past generation. It would be easy to prove that the human race has paid for these bad guesses a sum larger than all the profits resulting from modern science and industry during the past century. We are, in fact, further in the red than if our fathers had stopped in their tracks and done nothing beyond the simple tasks of keeping alive and well.



*Capitalism: A Middle-range System*

THE threat to capitalism today lies not at all in the intelligent regimentation of human affairs for the sake of avoiding evils and seeking the good things of life.

The system is far more likely to collapse, rather, because it will reach critical points in both size and complexity.

At some critical point every social function breaks down. So, too, with every social structure that has a function. The practical question always is this: Why this point rather than some other? And when that has been answered, we want to know what function will serve us best beyond that breakdown point. A few years ago our banking system collapsed. It has not yet been rehabilitated, though it seems to be on the mend. Long ago, at some time never yet accurately defined, our national political party system broke down. As yet nothing has been done to set up a new one. Still longer ago, our small-scale agricultural system collapsed, and we are still fussing around, tinkering with the

wreck in the vain hope of rebuilding it. But we go at all these problems awkwardly. We ought to analyze them as social technologists.

The entire process of dynamic equilibration, whether in an individual or in a factory or in an entire economic system, always leads, sooner or later, toward a flattening out, a leveling, a smoothing, and an equalization of activities. Big things reach a critical point of bigness at which they either collapse of their own weight or break up into smaller units or shrink. Little things reach another critical point at which they cease to dwindle and begin to grow in size and strength. Gross differences of all sorts tend to be overcome. Antagonisms weaken and even pass over into working compromises or peaceful relations. High velocities soon pass, and so do totally static conditions. Energies released at any point within the system slowly spread throughout the whole until, under existing attractions and repulsions, a moving balance of parts results. At this stage many symmetries appear. Things run on smoothly, as they are now doing in our solar system.

Where in this immense, ever recurring cycle of change do we stand today? At the critical point of bigness. At the critical point of complexity. Things have become unmanageable because they are too huge and too intricate to be dealt

## CAPITALISM: A MIDDLE-RANGE SYSTEM

with intelligently *in the time required for wise action*. Capitalism was designed for a world of middle distances, middle velocities, middle magnitudes, and middle classes. It is not suited to a world of coolies, nor to a world of thugs, nor to a world of insane, nor to a world of equatorial heat, nor to a world of eternal ice, nor to a world of mountains and canyons.

You own five shares of A. T. & T. Do you know any of the men who have charge of the business and on whose judgment your little investment depends? No. Have you either the time or the opportunity to analyze this super-corporation well enough to understand the probable current value of its stock? Almost certainly not.

You buy your electricity from the Niagara Hudson outfit, which sells Niagara Falls to millions of people, over its high-voltage wires. Can you compute costs well enough to know whether you are paying a fair rate, or one that ought to be cut in half? I fear you cannot. If I'm wrong, you're a man in a million.

You live in Syracuse, a typical American town. How many of the city departments and officials do you know well enough to have a clear picture of municipal processes and problems? I wager that you couldn't score 25 per cent in a quiz. At that you're as well informed as most citizens.

You live in a neighborhood in Cleveland. How many of the people living within three thousand feet of your home do you know personally? How many do you know well enough to lend them ten dollars—or to refuse so to do? I'd be amazed if you knew one in ten.

I am not scolding you. I am merely demonstrating the critical points of social-economic collapse. You must attain certain results within twenty-four hours, and certain others in the course of a year. Your mind works at a certain rate, picking up facts and acquaintances, your legs and your tongue have their own pace and peak. Your ability to deal with your business and your fellow men is absolutely limited by these maximal performances of mind and muscle. So, as a villager whose destiny is mostly contained within a Sabbath day's journey from the town pump, you are a brilliant success. As one of two billion inhabitants of this earth whose larger destinies are molded by everything that happens from Timbuktu to Tibet, you are—permit me to say so—a complete and perpetual flop. And you will never breed a race that can succeed as citizens of the world unless some scientist and inventor combine to devise a method of television world conferences and daily voting by radio on world affairs. Even then your

## CAPITALISM: A MIDDLE-RANGE SYSTEM

descendants will have to devote half of their days to listening and pondering.

The Great State, as often conceived and worshiped by Utopians, is a monstrosity and a menace. It is the final bloating before sudden death. True, technology will steadily enlarge the boundaries of successful statecraft. But centuries will pass before any economic or political system can encompass the world and bring only blessings to mankind.

Extreme orders of magnitude handicap capitalism. Very big business and very small business make some functions of the system weak or irregular.

Extreme levels of organization likewise disturb it. Highly complex and very simple businesses are ill suited to it in one way or another.

Extreme tempos also handicap it in certain respects. Very fast changes or very slow, be they in business or in other orders of events, break down the system at some point.

Capitalism is essentially a middle-range affair. It is essentially a middle-class way of life. It is essentially suited to businesses of medium size, to events which move at medium velocities, and to populations of medium wealth and numbers.

To think of the system as universally good is to misunderstand everything in human nature

and in business. You might as well suppose that the tribal life planning of an Amazon Indian could be magnified to the diameter of the whole world and made to function well for all the two billion people in it.

Everything grows insecure as a society approaches any extreme of magnitude, organization, or tempo. But the design of insecurity varies with each combination of extremes. Consider, for example, two kinds of insecurity: that of property and that of health. Broadly speaking, we find that crimes against property increase as population density and economic action-rates rise. And as a result of simple influences, such as

1. The increase in number of opportunities to steal or to cheat, as men crowd more thickly into neighborhoods;
2. The increasing ease of hiding there;
3. The increasing clumsiness and slowness of the authorities in acting against thieves and cheats; and usually
4. The increasing urgency to steal or cheat, as a result of the lowering of living levels in dense population centers.

Insecurity of health increases similarly, but as a result of a totally different set of influences, such as

1. Increase in the number of personal contacts, leading to higher probability of getting a contagious disease;
2. Increase in the bacteria in the air and on foods, leading to higher probability of infections;

## CAPITALISM: A MIDDLE-RANGE SYSTEM

3. Increase in the rate of spread of epidemics; and
4. Lowered individual resistance due to malnutrition, lack of sunlight, and so on.

Two contrasting types of insecurity appear in thinly settled wildernesses. Perhaps you can describe these for yourselves. Property out on the frontier, while safe in some respects, becomes unsafe in others. So, too, with health.

### *Lucky Sweden*

Most people I know who have lived in Sweden testify that, except for its climate, it is vastly better than the United States as a place for a civilized person to live. None of my informants, however, seems to realize that the complete explanation of this fact would carry us far into social mathematics and social technology. Much further, indeed, than I dare go with you here. But a brief excursion is necessary.

Sweden is "lower middle class" in every sense of the term. It has fewer inhabitants than New York City. No very rich, no very poor. Almost everybody comes from the same racial stock, holds to the same religion, works hard for a living, and lives either in or near a town having more than ten thousand inhabitants. As a result of these and various other factors, too numerous to mention, social relations develop

an almost ideal degree of complexity and an almost ideal tempo.

Everybody knows everybody else. The number of business and political matters to be dealt with on any given day is seldom unmanageable. People can and do think things through. The state never overshadows the individual. No economic group ascends to despotic power. The land is just poor enough to escape the envy of huge predatory nations, and it is remote enough to make invasions unattractive. Hence its problems are overwhelmingly domestic, small, soluble at easy tempos.

Contrast this happy land to New York City, which is a trifle larger in population and enormously richer in dollars. A chaos of alien races here mingles with a chaos of native fortune hunters. Rare the man or woman who knows the city and is deeply concerned over its welfare. The businesses of this sprawling clutter of villages are world-wide in their buying and selling; therefore, the city is involved in a thousand and one foreign affairs. The *New York Times* prints more news about Lithuania than about New Orleans; more about the pound sterling than about dirty Bronx streets. A large class of enormously rich people dwell in one section, while only a few hundred feet away



## CAPITALISM: A MIDDLE-RANGE SYSTEM

dwell thousands of beggars, street thieves, and safe crackers.

As Sweden has run on for centuries, it is beautifully adapted to basic capitalism. Only when a Swede like Ivar Kreuger expanded far beyond the workable magnitude of the money-and-profit system; only when his fellow countrymen, dazzled by his manipulations, forsook their domestic business to plunge their savings into the insane dreams of this knave did Sweden come to grief. Was capitalism to blame for the Kreuger disaster? Only a nitwit could argue that on the basis of evidence. A criminal was to blame. And he became a great criminal only because he did not understand the unalterable laws of magnitude and tempo in social processes. Had he been content to live within the bounds of Sweden and at the Swedish pace, he would never have become such a tragic failure.

### *Lucky France*

Of all the large nations in the Western world, which has been through fewest cycles of severe depressions and mad booms? France. And why? Mainly because most of her people own small places in town or country and, at a pinch, can exist on them. This is the result of her inheritance laws, which divide estates up among all the children and of the natural love of the

French for gardening and small farming, a career peculiarly suited to the fertility and climate of the land. At the same time, the French people have been the most conservative in their investments—this, too, in spite of their excessive buying of Eastern European securities before the World War.

About one-fifth of France, outside of cities, is broken up into some 3,000,000 tracts of 25 acres or smaller. About another two-fifths is in some 600,000 tracts each between 25 and 400 acres. And the remaining two-fifths is in 150,000 tracts of slightly larger area. Neither the tenant farmer nor the large-scale farmer can be found in great numbers. The situation is the reverse of that in England, Germany, and our own country.

Until lately capitalism in France has been well within the limits of magnitude and tempo that make for economic health. But the effort of her political paranoiacs to run all Europe and half of Africa from the Quai d'Orsay has been pushing her closer to the brink. That she has gone the way of all fools in the interest of her own security does not alter the fact of her perilous undertakings. The day is not far distant when the little peasant will rebel against the apostles of bigness and power. If he rebels in time, France will be lucky—still. It will remain a place of little people and little properties.

*Capitalism: A Middle-class System*

CAPITALISM carries on.

But it does so not a whit faster and not an hour longer than the middle class. For capitalism always has been a middle-class institution, as all its enemies have rightly insisted. They denounce the *bourgeoisie* only because they identify this class with the private owners of capital funds and whatever these will buy. And they rightly laugh at those economists and business apologists who declare that, in America particularly, all the workingmen are small capitalists. This *petite bourgeoisie*, though multitudinous as fleas, is hardly more important in the councils of capitalism than are the fleas which harass the favorite police dog of the chairman of the board of directors of the U. S. Steel Company. What if they number ten million? Or twenty? They never shape the course of any corporation. Each is much too weak and tiny to make any impression. Only if they were to organize and act in unison could they hope to make themselves felt. As matters stand, most of them are mere gamblers

who hold pieces of engraved paper hardly knowing what these are, except that maybe they will bring them a little money some day. The head and front of capitalism must be found in the great middle class. And so too must the dangers in which capitalism now finds itself be considered as the dangers of the middle class.

Today this once dominant class is reduced to an impotence which, only a generation ago, would have seemed utterly impossible and fantastic to Marx and Engels. Let us see what has been happening and what must be done about it.

Both Christianity and capitalism were born in the midst of giant barbarisms much too stupid to know what either one was aiming at. Christianity grew out of lower-class men, lower-class troubles, and lower-class thinking. It was a way of life evolved for the meek and the lowly, for the poor, the outcast, the despised and rejected of men. It offered its followers absolutely nothing in this world, but promised a heaven in the next. It scorned money, profits, and comforts. It despised luxuries. But it recognized the ruthless power of the barbarian gang leaders, and it declared in full sincerity: "Render therefore unto Cæsar the things which are Cæsar's; and unto God the things which are God's." When it arose, there was no middle

## CAPITALISM: A MIDDLE-CLASS SYSTEM

class—at least none in the modern sense of the term. Mediterranean society was made up of a few powerful families at the top and a mass of impotent slaves, prisoners, and parasites at the bottom. The great families owned the government and, in the course of time, ingeniously strengthened their hold over the masses by setting up the church as God's agent on earth, by protecting the poor and enforcing a certain kind of justice through clerical authorities, and by educating the children of the poor in the primitive Christian way of life—which exactly suited the rulers.

As the Middle Ages imperceptibly gave way to the new era of enlightenment, world travel, and the dissemination of goods and ideas, there arose, quite as imperceptibly, landlords, civil servants of minor rank, traders, craftsmen, money lenders, and professional men who improved their fortunes, bought estates or else inherited them, set up establishments of their own, and in the course of years became independently rich and self-sufficient to a degree which few moderns can believe. Unlike the early Christians, these people were interested in living an abundant life. No crust of stale bread for them! No hole in the wall for their homes! No meekness! Wealth was not an end in itself, nor was its lack a virtue. They loved roast pig,

flagons of ale, a roaring ditty around the festive board, chucking tipsy wenches under their double chins, deep feather beds, warm porcelain stoves, long hours of sleep, books; a little journey now and then, the sights to see; and whatever else the jolly times had to offer. Above all they loved their freedom and their self-sufficiency. Everything from wine to woolen socks was made on the premises. Cradle and coffin were alike homemade.

These men of the great middle class wanted money only to buy the good things of life for themselves and those dear to them. The notion of accumulating a hoard and putting it to work for the amassing of interest and dividends had not yet infected them. But it became epidemic soon after the freebooters and subsidized explorers of the fifteenth and sixteenth centuries began to pour into Europe's coffers the gold and silver of Peru and Mexico. So powerful was tradition, however, and so numerous the middle-class families that they did not generally lose their old standards and forsake their morals until to the alien wealth of the New World there was added the still vaster wealth produced by the Machine. By the mid-eighteenth century the rout was on. By the mid-nineteenth only a few stragglers survived in the more remote districts of continental Europe and of England.

## CAPITALISM: A MIDDLE-CLASS SYSTEM

Then there arose a new middle class, a first cousin to the old. Technology brought scientists, engineers, inventors, and executives. It brought a strange species later labeled the Supersalesman, singularly poisonous. Most of them came out of the old middle-class families. But they soon lost all sense of class and origin, for *they had to leave home in order to carry on their exciting new work*. In that act and at that moment the middle class began to collapse.

You see, during the first hundred years of the factory system an industry had to go to the source of its power. First it went to rushing rivers, where dams could be built and water impounded. Then it went to the coal fields, where fuel for its boilers was at hand. Long afterward it sought the great cities, where electric power plants were erected to serve large populations. All the workers had to follow the factories, of course. And thus it happened that people started to move about on the face of the earth in a fashion which, as viewed by the man in the moon, must have seemed the acme of madness. Thousands of lovely homes in tiny villages and on remote farms were abandoned. Later whole villages were gutted, and in some parts of Europe entire counties went back to grass.

Upon this desolation Oliver Goldsmith gazed as he wrote "The Deserted Village," in 1770.

## CAPITALISM CARRIES ON

Sunk are thy bowers in shapeless ruin all,  
And the long grass o'ertops the mouldering wall;  
And trembling, shrinking from the spoiler's hand,  
Far, far away thy children leave the land.

The poet misunderstood the causes of this decay. It was not money madness, not a lust for luxury that emptied those pleasant places. Men felt then, as they feel today, that their race was on the march. Great things were a-borning. Horizons were stretching outward, outward, outward to some thrilling infinity. The new, the perilous, the exciting drew those children of the old middle class out of their homes into strange places beside wild waters and deep pits. A promise of life more abundant roared in those waters. And the writhing black smoke from the chimneys beside the mine pit seemed to be guiding men toward a Promised Land.

Now observe carefully what happened during the next three generations. Inventions came along faster and faster. New power sites were found. Old factories closed, new ones opened at a distance; so again the workers had to move. Immense centers developed, lasted for a decade or two, then more inventions and more discoveries of power and raw materials in far-off places caused the factory owners to move again. With each move, the workers became more migratory, less rooted to homes, less conscious of belonging to any community, and less self-sufficient. Out



of it all came finally the hideous mill town, the mining camp, the railroad workers' shack colonies, and the complete disintegration of that culture which had flourished for centuries in the days before steam.

Humanitarians usually point sorrowfully to the common toilers in this rotten world. I point to the engineers, the teachers, the accountants, the machinists, the draftsmen, the surveyors, the chemists, the architects, and all the other superior people who are bound to these dumps for life. These are the people who count. The others weigh lightly in the scales. Most workers are as well off as their grandfathers were; and many of them have risen in the world. But the brains of the old middle class have sunk into a slough from which they seem unable to extricate themselves. Bound by their salary checks to these dismal, degraded slums, they live without adequate opportunity to expand or to enjoy. I have watched them many a time and marveled, now at their patience, now at their timidity, now at their apparent insensitivity to their own tragedy. They are the outcasts, the homeless, the lost. They, and not the wretches who sleep on park benches.

Why do they stick? Why do they not pack up and flee? The explanation is simple. Many of them have told it to me.

“What can I do? Where can I go?”

They are, in brief, single-trackers. They can do only one thing well enough to get good pay for it. They lack all training in the elementals of living. Their wives are like the Kansas family which, so runs the famous yarn, starved to death because it lost its can opener. Their children are pretty little nothings on their way to nowhere. What they know will never hurt them. What they do will be less than a message written in water. The only monument they will leave behind will be an entry on the books of the United States Census. Nothing plus nothing equals nothing. As they have never truly lived, so may they never truly die. Or, if they do die, it will be like the passing of a gnat.

All such unfortunates have lost most of their potential personality, for their whole lives have been shaped and filled by the day's work. In this impersonal industrialism the job determines the worker in more ways than the worker likes to admit. By tearing him loose from home, neighborhood, and culture, it reduces him to a mere organism. He is not even one of the proletariat. He is classless. In the stricter sense, he is propertyless, too. Seldom does he own his home even on the fringe of his factory slum, for he knows that soon he may have to move on, like the tramp overtaken by the policeman. Out of

## CAPITALISM: A MIDDLE-CLASS SYSTEM

nowhere a telegram may command him to shut down the mill and pack off everybody to parts unknown. How foolish then to strike root anywhere!

Now, if modern capitalism must continue exactly as it now is; if it must shift its plants hither and yon; if it must compel its superior employees to inhabit shacks or half-pretentious dwellings on the smoke-hung edge of some transient slum—then such capitalism is doomed. It will soon pass; if not everywhere, then at least in these United States. But who believes such a purgatorial custom cannot be ended with the brisk application of a little intelligence—and perhaps rough treatment for the recalcitrants?

It has begun to pass. The automobile, concrete highways, super-power, the decentralizing of great cities and other industrial clots, and many other factors are swiftly removing the superior workers from the old slum. Twenty years ago they were shackled. Now they are almost free. They may live ten, fifteen or twenty miles away from the slum. I know some of them in New Jersey who live forty miles from the chemical works on the great salt marshes near Newark where they put in forty hours a week, at a price. I know others in Maryland who have small country estates thirty miles away from the chemical plants of the Wilmington area. I know

still others who live on prosperous farms in Indiana and spend part of their time in Chicago offices.

We can work back to a new kind of self-sufficiency. We can regain our lost nimbleness of hand and wit. All we need do is to adapt technology to small units of production; to diversify production in each thickly settled neighborhood; and, as a result, to reduce to a minimum our purchases from afar. We must build our new self-sufficient neighborhoods upon super-power. We must refuse to buy wheat grown five hundred miles away even if it can be bought for two cents a bushel less than wheat grown around our village. For our aim is not to make the most money; it is rather to achieve self-sufficiency and liberty.

Here is the first step toward a new middle-class America. And only the first. Many others must be taken; some of them are still beyond calculation, but the next few are known. They include several which carry us to the more or less self-sufficient community, strong, happy in its own strength, serene and rich in the good things of life though not in money. Technology must turn to the home crafts and make easy the producing of food, clothing, building materials, and the elemental furnishings of a modern dwelling, garden, and grounds. Tomorrow's

## CAPITALISM: A MIDDLE-CLASS SYSTEM

home must be refined even more than today's automobile and radio. Technology, with the aid of government, must cut power costs to the bone, so that middle-class people may attain self-sufficiency with the greatest ease.

What do men need to attain such a life? Nothing more than a firm will to have it and a sound appreciation of the ways and means of establishing middle-class communities. Today the will is weak in all too many of us. Three generations of submergence have sapped its pristine strength. Perhaps years of retraining will be required. I do not know. But this much seems certain: were five or six hundred middle-class families, by some good chance, to get together and discuss this possibility; and were some leader to arise in their midst, whip them into shape for action, and start things moving the next morning, we would see a social revolution on its way within a year.

All technology, more by accident than by design, is moving toward the reestablishment of the middle class. At the same time, all politics moves in the opposite direction, namely, toward mass rule. If technology gains on politics, then we shall soon see capitalism purged of financial racketeering and economic imperialism; a new middle class will take the reins of power. But if politics prevail over technology, then

capitalism will end abruptly; some form of collectivism will take its place, and the middle class will remain where it now is, dead and buried. This new collectivism will be anti-Christian, but in a sense quite different from the anti-Christianity of the older middle class. The meek and the lowly are weary of waiting for a heaven after death. They want the good things here and now. They have gone Jewish. They will no longer obey despots who keep them hungry and exhausted. They will set up their own despots and compel them to fatten them and wine them and house them well.

Big Business, knowing that both the middle class and the masses disapprove of it, must choose the lesser of two foes. It will probably choose the middle class; for, after watching Russia, Big Business fears collectivism, even when its leaders have been handpicked. It has reason to believe that it can persuade the middle class to support some form of Fascism, which is disguised primitive Christianity in which the common man is deflated in the interest of property owners, creditors, and overlords, is taught to love the cheap life, to expect nothing and to get it. In this thought Big Business is by no means guessing wildly. Many middle-class people despise the lower-class workers, for they have employed them and learned their inferiority.

## CAPITALISM: A MIDDLE-CLASS SYSTEM

Then too, the middle-class man has worked so long for Big Business that he stands in awe of its leaders, accepts their judgments as final, and hardly dares to think for himself in matters outside his own little specialty.

Big Business has the enormous advantage of being able to bribe or to bully politicians. It can swing them by the score away from collectivism of the Russian type over to Fascism of the Italian type. The lower classes have few able leaders. They are broken up into widely separated and often hostile labor unions, frequently under the domination of racketeers. The idealists among them are, like most idealists, wonderful while talking but a sorry jest when moving into action. For this reason it is far from impossible that Big Business may establish an early Christian despotism and, within a decade or two, end capitalism once and for all in America.

But I think the middle class still has a fighting chance of winning out and setting up a genuine capitalism in which profits serve progress. But it must first convert the present Administration, which, I regret to say, shows no sign of comprehending the crisis of the middle class.

### *Upper and Nether Millstones*

The middle-class man is being ground exceedingly fine between the upper millstone of Croesus

and the nether millstone of Cyclops. He is caught between the powerful rich and the powerful poor. If you doubt this, scan the records of spending since 1930. In grim balance sheets is the tragedy written.

Who were the first to rush to Washington for cash relief? The bankers. Then the railroads. And in their train a score of other major interests, each with a flying squad of lobbyists and ladies. The government gave its millions, then its billions. Then it turned to the next arrivals. And who were they? The starving, the sick, the park-bench sleepers, the wild boys, and all the other hapless wretches without food, clothes, or roof-tree. In pity the government gave first millions, then billions; and soon it may be pouring forth tens of billions. For, according to late reports, no fewer than sixty-five million of our citizens must receive some aid in order to carry through the winter.

Virtually every dollar of the tens of billions allotted to the powerful rich and the powerful poor! Scarcely a dime given to middle-class folk! But strange to say it is these same middle-class folk who are now being asked to pay most of the relief bills. Who else could pay them? The sixty and odd millions who seek relief cannot chip in anything. As for the once rich, they have dwindled to a handful; and, though they will be



## CAPITALISM: A MIDDLE-CLASS SYSTEM

thoroughly taxed, the total they will contribute will be a small fraction of middle-class payments.

Six or seven million of the ablest men and women in our middle class will, in the long pull, furnish fully three out of every four dollars raised to help the powerful rich and the powerful poor. Or—let us be more precise—they will be called upon to furnish that much. Will they acquiesce? Should they?

I speak as a member of the abused middle class when I say that, rather than be impoverished and regimented in order to salvage millions of unfortunates and to bolster up rotten banks and repair rusty railroads, I would pack up and leave for some distant place where I might at least live my own life more or less according to my own likes. The Fascism latent in relief to the rich is as abhorrent to me as is the Communism latent in relief to the poor. To be deflated to a pin point for the sake of unknown creditors appeals to me no more than to be inflated for the sake of unknown debtors.

Is there a chance that the heads of middle-class families will discern their predicament in time to escape unscathed? Our philosophy thwarts us. We are individualists, not in the despicable Hooverian sense but in the classic sense. We believe that independence of thought

and opinion is established only through economic independence. Property is the beginning of liberty. Poverty is the cornerstone of compulsion. So we dread mass action, mass planning, and all that goes with these new ways of salvation. Today, though, nothing less than intensive group campaigning can deliver us from the Devil of Dollars and the Devil of Dole.

Then, too, we lack numbers. The dolesters can outvote us. Once in control, they will impose taxes to feed themselves. Then the middle class will rapidly break down and be reduced to impalpable dust between upper and nether millstones. Perhaps a few little bands will escape and set up pioneer homes somewhere in the lost plateaus of Peru or up some misty mountain valley of New Zealand. If this happens soon, I shall be one of these exiles.

However, I do not expect to move out. For I think that capitalist leaders will discern the consequences of wrecking the middle class and will act to save it before it is too late. I fancy that I see a few faint signs that Roosevelt begins to notice our predicaments and the disasters to which they may lead. Shrewd politician that he is, he seems to sense—pretty vaguely, to be sure—the perils of Fascism and relief of the rich no less than the perils of Communism, with its endless relief of the poor and the incompetent.

## CAPITALISM: A MIDDLE-CLASS SYSTEM

He must find a middle course. He can find it only through the middle class.

### *Middle-class Secession*

Criminal and coolie cannot crush capitalist so long as the latter has the ablest people on his side. To keep them on his side, he must keep them on his pay roll. But he has not been doing so. The result is a slow but unmistakable revolt of middle-class people, especially the engineers and the teachers. Unless the leaders of capitalism come quickly to realize the danger of this secession, they may jeopardize the entire system.

Today the masses have no leaders who are competent to array them in battle formation. They are all in the first stage of proletarian revolt. Local uprisings here and there, headed by local agitators, cause much noise and dirt but soon die down. These citizens do not see the country as a whole. They lack personal connections all over the land. They are not well financed. And usually they have only local issues on which to build. So they come to naught.

Today we approach the end of this phase. The Epic group in California is by no means through, but it has reached the end of the phase. The Farmer-Labor groups throughout the Midwest and Northwest are at the same milepost, stalled

but not dead. Alfalfa Bill Murray has definitely passed from the national arena, amid gentle laughter. Huey Long blazes as fiercely as any meteor—and so will end in a dazzle and thud, just another Bayou Boob. But he has started something which will not cease with his own passing. He has aroused the cattle with his slogan, "Every Man a King!" He has demonstrated how far a clever and ruthless fellow can go toward dictatorship in the hill-billy sections of America. And he has almost certainly taught several unknown geniuses how to attack the problem at which the Kingfish has failed. The kindly Townsend, with his fifty-a-week dream for the aged, has likewise enlightened shrewd observers, some of whom may soon move on to the second stage of revolt.

This second stage is one of consolidating fronts under a single command. The disillusioned followers of the firstlings who flopped slowly come to understand that in union there is strength. Sooner or later one of their number hits upon the next move. Whatever it may be, it is surely based upon the one idea which all Americans comprehend, the abolition of poverty. Though we are not a genuine nation but rather a constellation of regional economies, still we are one in misery; and rebellion sprouts fast in that soil.

## CAPITALISM: A MIDDLE-CLASS SYSTEM

As I see men and affairs just now, I am led to believe that the Congress now in session may be the beginning of this stage of consolidation. I say, it may be; it is too early to declare that it must be. At any rate, the tag ends of radical programs there being assembled will remain a mere rag bag unless some one strong personality sorts them and bastes them together for a fitting. Whether this master of tailoring will be the vigorous, shrewd and hard-hitting Olson of Minnesota, working behind the scenes from his gubernatorial chair, or some new man within the Epic group, or somebody else, I dare not guess. But one forecast is easy: the strength of the impending merger will depend upon the number of middle-class followers it wins away from capitalism.

Scores of small middle-class groups are now active against the old order. On the whole, their thoughts surpass their acts; for their leaders are chiefly thinkers, not doers. Give them one leader, though, and then their ideas will bear sudden fruit. The hour is perfect. For five years, capitalists have been deploring five-year plans and all other varieties too. Five years of drift have disgusted tens of thousands who have clung to the old order faithfully, only to see its leaders fail them. And, to make matters worse, the latest advice from these leaders,

lately in session at Hot Springs, contains so many foolish and impossible things that the halls of Congress will ring with mocking laughter—laughter, for instance, at the solemn request that the government end all relief work and go to straight cash dole; laughter again at the demand that all relief be passed back to the individual states and cities.

Such blunders play into the hands of the unknown consolidator of rebels. So too does the rising tide of unemployment. So too does the horrible burden of debt, which the capitalist leaders have neither removed nor even made a gesture of removing. As the new Congress assembles, many shrewd observers are venturing the prediction that somebody will bring to the fore a radical plan so superior to anything yet offered that it will embarrass the Administration. Take this for what it may be worth. Fact remains that, at the close of the first stage of rebellion, the capitalists have not yet made a single move which promises to win their game. A few of the middle-class independents have made moves; but nothing will come of them unless the leaders of the system rally behind them.

Should a large section of the middle class turn against capitalism and join the impending revolt, left will gain rapidly on right; and nobody will be to blame but the capitalist leaders themselves.

*A Fair Trial for Capitalism*

Can we Americans give capitalism a fair trial? I do not know. I have grave doubts as to whether we can for at least another generation. When I see some of the self-styled leaders of capitalistic groups denouncing every attempt to bring expert intelligence into the government, I am forced to believe that the greatest enemy of capitalism is the obsolescent capitalist.

The highest order of technological skill must come into political and social authority before capitalism can ever be fairly tried. The reasons for this should be evident to every reader. The antagonistic forces upsetting a free working of basic capitalism are unquestionably still stronger than capitalism. When police and army authorities assure us, as they recently have done, that the number of organized criminals of all sorts in the United States is considerably larger than our army and navy combined; when we learn that in ordinary times the wealth seized by these criminals and other offenders against capitalism enormously exceeds the total of all profits earned by factories, railroads, and banks in the United States, how can we be so foolish as to imagine that capitalism is now having or soon will have a fair trial?

Some of our economists talk childishly about this matter. I read their words and am ashamed for them. To put it in the most matter-of-fact form, I would say that we Americans shall not give capitalism a fair trial until we have ruthlessly crushed all forms of crime and fraud ranging from kidnapping down to the filling up of cans of sweet corn with salt water and the use of horse meat in frankfurters. This means in all probability that we shall have to hang, jail, or exile several million alleged business men. As I write this page, I read in the papers that the lawyers of a great syndicate of bootleggers are now negotiating with the United States Treasury Department with a view to selling the government millions of quarts of liquor. On this the criminal operators agree to pay 150 million dollars in taxes if the government will kindly refrain from prosecuting them. The lawyers have advised their clients to do this, because the present administration is increasing its drive against crooks at such a rate that the bootleggers are reasonably certain to have all their liquor caches seized within the next six months.

### *Can We Find Leaders?*

The crushing of criminal and lesser anti-economic groups is a *destructive* program. It must be followed by reconstruction. Merely to



## CAPITALISM: A MIDDLE-CLASS SYSTEM

“mop up” the racketeers will not restore a clean and smooth capitalism. It will only clear the ground for a creative program.

Let us suppose that we see victory ahead for the citizens who are fighting the criminal business men. What then?

We must find a new program; we must find leaders who can carry it out. Capitalism will carry on only if it has able leaders. The leaders will succeed only in so far as they devise a sound program. So we stand today at the threshold of a new era of endeavor. We must unite to find leaders, and then aid them in shaping the program.

But where find leaders?

Only in the middle class, the bedrock of individualism, of solid ability, of vigorous social will. Out of it have come nearly all excellent leaders in nearly all fields of high enterprise. You must understand this fact and accept it, in order to plan well—that’s why I want to outline the evidence establishing the peculiar power of the middle class.

*Middle Class to the Rescue*

WHO belongs to the middle class?

About one American out of every ten, at the most conservative estimate. Not more than one in seven, on the most liberal estimate. Let us say between twelve and eighteen millions. You may draw the line anywhere you wish between these limits. Your error will not upset any remarks I shall make about the middle class. I prefer the conservative figure of twelve millions.

In this group we find, at the top, men and women of genius but not of immense wealth. Just below them come people of high ability in science, technology, management, and the arts. Then comes another much larger subgroup of professional men and women, highly skilled workers in fields requiring considerable mathematics or other analytical ability. Add to all these their children, and you have the American Middle Class.

As a class, incomes range from \$3,000 a year up to some undetermined altitude at which Big Money begins. I would set the top at \$50,000 a

## MIDDLE CLASS TO THE RESCUE

year, though I know of rare exceptions which rise considerably higher—a few lawyers and surgeons who earn \$100,000 a year. The average income of the entire class is considerably below \$5,000 per family. It may even be down to \$4,000 now. In other words, the great mass of the middle class groups around the lower end of the income range. Most of its families have just enough to enjoy the more important comforts of life on a modest scale. They can spend about twice as much as the average American family. But they can afford few luxuries, if any.

These characteristics mark them as middle class. Neither rich nor poor, they happen to include within their ranks virtually all people of high ability; so, if measured in terms of ability alone, they would constitute the “upper class.”

### *The Able Are Mostly Middle Class*

Nearly all people of marked ability spring from some group within the middle class. The evidence here is overwhelming.

The professional classes furnish by far the largest quota of children who later rise to high achievement. And the laboring classes contribute the smallest. Cattell analyzed the family background of all eminent American scientists who were alive between 1900 and 1915. He reports:

## CAPITALISM CARRIES ON

The professional classes have contributed, in proportion to their numbers, about fourteen times as many scientific men as the others, the agricultural classes only half as many as the manufacturing and trading classes. The farm not only produces relatively fewer scientific men, but a smaller proportion of them are of high distinction and a larger proportion are in the lowest group. This traverses a common belief . . .

So, too, in Europe, where the professional classes furnish an even larger quota and the laborers even fewer. Havelock Ellis has shown that the manual laborers of England outnumber the nobility a hundredfold, but produce less than one-fourth as many persons of high achievement in lines requiring superior mentality. The son of a British nobleman has four hundred times as many chances of rising to the top as has the son of a toiler.

Still more striking are the records in *Who's Who in America*. Six years ago it was found that 34.3 per cent of all eminent Americans had professional men as fathers, while 35.3 per cent had business men, 23.4 per cent had farmers, 6.3 per cent had skilled or semiskilled workers and only 0.4 per cent had unskilled workers. Now, there are many more business men than professionals. Man for man, the fathers in professional classes brought into the world 1,400 times as many distinguished Americans as did the unskilled laborers. The fathers in business

brought 600 times as many as the latter. So the professional men beat the business men in the ratio of 1,400 to 600. They beat the farmers in the ratio of 20 to 1, and beat the skilled or semiskilled workers to the tune of 1,400 to 30.

Here is one of several reasons why two out of three persons distinguished by positive achievements come from well-to-do families. Among the 975 men and 55 women whom Havelock Ellis studied in *British Men of Genius*, more than six hundred grew up either in wealth or in considerable comfort. A. H. Yoder found the same situation among the fifty most eminent Europeans of the eighteenth and nineteenth centuries. In our own country today all investigators reach similar conclusions.

All talk about the poor boy who works up to the top is misleading. Once in a blue moon it happens—and it is such a marvel that we all exclaim over it. But for every one such youth, a score rise to eminence out of the middle class. Even Abraham Lincoln, miscalled “the rail-splitter,” came from a family much better off economically than most others in that pioneer region whence he sprang.

Thomas Edison had more silly lies told about his humble birth than anybody else. His parents were well-to-do middle-classers. He worked as newsboy on the trains merely to get extra cash

for his experiments. Only the followers of Karl Marx will believe that the workingman and the peasant produce important children.

The middle class in Europe and in our own land made its fatal blunder and sealed its doom when it permitted the racketeering politicians and munitions makers to drag their countries into war.

Ever since 1914 the professional, business, and upper farming groups have been crushed worse and worse between plutocrat and proletariat.

The very rich, dominating such puppet-statesmen as Harding and Hitler, have retained control fairly well, at least until the last few years. They have done so by making apparent concessions to the proletariat, whose dull wit does not penetrate the hypocrisy and emptiness of the offerings. In the few cases where low-grade workers and peasants have rejected the sop thrown at them by their masters, the latter have resorted to more cunning tricks, such as the great Nordic nonsense of the Nazi nincompoops, or the Save-the-Constitution ballyhoo of the Standstill party in our own land.

Here in America, high achievement finds its most favorable opportunities within the professional classes.

There the combination of superior inheritance, superior home training, superior schooling, and

superior social contacts is precisely 2.3 times more effective than in the homes of manufacturers, bankers, retailers, and other business men. Would it not seem, then, a common-sense rule to seek, first of all, for leaders of the middle-class restoration of capitalism among the engineers, scientists, technologists, and educators? Until the money traffic and the criminal rose to power and overthrew the earlier and simpler order, it was just such people who guided social affairs.

We find many able people among business families. Ought we not draw on this group of the middle class, then, for the administrators of the new era? Professional men are less interested in detail and routine of management than are these business men; their minds run off in other directions. They must be supplemented by the organizing, promotive, and managerial types of mind which we find oftenest in the families of successful merchants, commercial bankers, manufacturers, and salesmen.

### *Adventurers All!*

Most people crave security. Better a full cupboard and a quiet night than a palace full of troubles. Not one workingman in ten wants to advance to a managerial post, even though the increased pay means new comforts. He dreads

the responsibilities of a manager. He knows in his heart that they will cause him to lose sleep, to suffer from indigestion, to quarrel with old friends, and that they will sap his energies dangerously.

Rare the combination of physical and mental traits which make a business leader—or any other kind of leader, for that matter. Until the eugenists have their way, our world will be run by a small number of men who rather enjoy hazards and think most keenly when battling against heavy odds. They feed on uncertainties. They are gamblers of a sort in that they realize how little is sure.

Life is just one risk after another. Why has nobody catalogued the hazards of every man's life and times? It would be a public service to list and illumine them.

We observe the two grand categories:

Risks in Nature  
Risks in Man

Nature shifts from second to second. Wind, ice, insects, pestilences, and the invisible variation of chemicals in soil and seed make of most farming a wild gamble. The plans of mice and men are ~~ever~~ failing because of these sinister influences.



## MIDDLE CLASS TO THE RESCUE

Risks in man fall into several groups, such as

Risks in the Maker

Risks in the User

Risks in the System

The maker equips himself with tools and workplace. The tools break. The workplace is badly located. He buys raw materials which vary from batch to batch, upsetting all his calculations. He devises a process which succeeds with some material but fails with others. He times his jobs wrongly. He fails to anticipate changing technology. He may even be a generation behind in his skills.

The user, as a human being, is full of subtle moods, changes in heart, stomach, years, outlook, and purse. Each change modifies his interests in what he buys and consumes. One day he buys an automobile; six months later he loses all desire to drive it, for now he has a motorboat. Six months later he scraps the motorboat because he had a miserable night out on the lake when his engine went dead. In flush times he buys a big house in a fashionable neighborhood. A year later his income shrinks, the house becomes a white elephant in the red and he deserts it for a cheap little farm.

The system in which maker and user live is a wavering web of customs, laws, traditions, and

superstitious. These variously control property and planning. The larger the system in square miles and in number of people, the wider the circle of influences that runs out from each act of control. Hence the greater the risk for individuals. For whoever starts something in a large system cannot foresee the last stages of his act. A banker lends a shoemaker money to enlarge his shop. Five years later, perhaps, ten thousand investors go down to ruin as a result of the shoemaker's expanding too fast, selling stock on the basis of past performance and being blind to tomorrow's saturation point in shoes and slippers.

Now, in such a world of unpredictables, somebody must step forward and take a chance. Otherwise nothing is ever done. For the better part of a million years nothing was done, for almost everybody preferred to play safe, while those who were willing to adventure mostly fell into the claws of bears and lions, or died of thirst in deserts, or went down in a winter gale off shore. A handful survived. Little by little they and their families got ahead. And after weary centuries there arose a class of successes. Adventurers all! Some cutthroats among them, and some inventors. Some diplomats, and some minstrels. Their strongest common characteristic was boldness. Next to that, energy, drive, persistence, clear aim. Not intellect. Not morals.

## MIDDLE CLASS TO THE RESCUE

Not character in the ordinary sense of the word. They were the Men who laughed at Fate. They were Men Unafraid. Pioneers after a fashion. Precisely the opposite of some descendants who would take no chances with fortune in hand—and so became bankers.

These bold folk were the progenitors of what later became the middle class and the founders of modern capitalism. They were likewise the ancestors of a softer race born in luxury and afraid of risks, hence reactionary and desperately attached to property inherited from sturdier forebears. The breed split into Old Wealth and the Bold. This break today appears at its clearest in the Money Traffic and the Maker in the Banker and the Promoter; in the Lender and the Speculator; in the man who feels that the world owes him a return on his capital and the man who plays with money as others play with tennis balls.

The antagonism between clingers and plungers, between those who would live on unearned incomes and those who would create new enterprises is now injuring the capitalist system more than any outside foes.

### *The Two Societies*

Every enterprise has its natural limits of expansion and output, no less than of profits.

## CAPITALISM CARRIES ON

As these limits are approached, earnings must leave it and be used elsewhere. They may be reinvested in new enterprises or spent for pleasures and comforts. The owner is absolutely free to use them as he see fits.

At the present stage of economic evolution, manufacturing enterprises in many elemental fields approach their natural limits. So profits flow in three directions:

1. Into new manufacturing of goods still scarce enough to yield profit to the makers;
2. Into distributing agencies, such as the great chain stores, which bring supplies to consumers more effectively; and
3. Into various services, personal and otherwise, such as entertainment, travel, education, and art.

As new capital forsakes old enterprises which have reached their limits of expansion, the tendency is to lose interest in keeping them capitalistic. Profits having shrunk to a pin point, why bother over private initiative and ownership? Here then the workers and the government come more and more into control, especially if the product is a necessity. (If it is a superfluity, the business is allowed to die.)

The ablest minds and the strongest personalities are drawn into the new enterprises, in the wake of the new capital. For the investor must investigate the unexplored fields, must have new machines and methods designed, must experi-

## MIDDLE CLASS TO THE RESCUE

ment boldly, and therefore must enlist engineers, research scientists, and other professionals.

Such high-grade workers are held to the old fields of low profit, only through subsidies or other special devices. Witness the states and the federal government engaging virtually all the experts in agriculture. Scarcely one is employed by commercial farmers. And few farmers use the services of these experts, even though they are offered gratis.

Unenterprising people tend to drift into low-profit fields. Their own personalities, in such fields, tend to keep their earnings doubly low; thus slowly a low-income class grows up in and around those fields. Witness the small farmers, the textile workers, the coal miners, and so on.

These people drop out of the potential markets which the advancing enterpriser seeks to create and to serve with new products. For they cannot afford new products, and they are not enterprising enough to try to earn more by shifting to more profitable fields.

Thus slowly there grows up a subsistence class below the profit-seeking class. The middle class joins fortune with the enterprising profit-seekers in the developing of new technologies. Thus the unenterprising classes are left more and more to themselves, except as the government concerns itself with them.

In a democracy, these low-profit and no-profit classes have votes and, as they multiply, become the potential majority. But they need leaders and must wait long before such arise. At first a swarm of local agitators, racketeers, petty statesmen, and reformers tries to organize the mass. But each fails. Then a few abler men come along; and finally out of these, in the course of years, somebody with broad grasp and immense powers of command welds the millions into a political force—and what happens next depends upon circumstances.

Long before a political revolution occurs, the capitalist class comes to its great crossroad. Here it faces two paths. One leads toward the rehabilitation of the unenterprising low-profit groups. The other leads to a new selection of human material for some society better than the existing one, with the elimination of the unenterprising, the sickly, the diseased, and the defective.

If the former is chosen, then in time the entire society slowly sinks to the level of its poorer classes. For the time, energy and wealth consumed in bringing "justice" to the millions of underprivileged prevents progress along new lines.

If the second course is followed, then two or more societies arise out of the old one. Either a

## MIDDLE CLASS TO THE RESCUE

caste system develops, or else each class moves into its own special territory and becomes in effect a separate nation.

It has never yet been demonstrated that science and social organization might lift a large submerged class to the level of a higher. Even in limited fields such as that of medicine and public health, nobody knows for a certainty that the true total cost of bettering the physique of the physically inferior is not more than offset by long-range effects upon the superior.

### *Middle-class Collapse*

In all lands the middle class has been sinking, growing poorer, and weakening as a social and a political influence. It has been achieving less and less, for achievement costs much money. Poverty must always hinder more than it can ever help the superior man who aims at great deeds. The only apparent exception to this, I believe, is the case of the extremely emotional poet, painter, and novelist, whose work owes its quality largely to the sufferings and disillusionments endured. And most of these unfortunates turn out to have achieved much less than they and their clamorous press agents aver. Achievement which amounts to something in the progress of the human race never comes from such thwarted and deformed spirits. It emanates from stout hearts,

clear heads, rugged workers, and brilliant theorists. All these useful citizens advance fastest when freed from the duns of the butcher and the baker.

In all countries and at all times within survey it has been the upper middle class that has produced the largest number of solid achievements, either as a group or as individuals.

The very rich and the very poor accomplish little. And the poor accomplish relatively less than the rich. For "the curse of the poor is their poverty"—and not poverty of purse alone! Having less time and energy to devote to ideals beyond mere bread and butter, they fall behind in the stiff competition of the higher life.

Down to 1929 our middle class was growing in numbers and wealth at an amazing rate. It was, in fact, gaining upon the upper class and the money traffic, at least in a few respects. Had its leaders been suitably educated and trained, they might have been running the country between 1918 and the great crash. But they were socially and politically ignoramuses, so they went into a decline.

Since the crash they and all of their groups have been wrecked. Property values have collapsed. Homes have been lost. Salaries have been cut to a fraction of their peaks. Whole fields of activity have been destroyed, perhaps forever.



Today it seems not at all impossible that the middle class as a whole may sink to that same low level here as in Europe.

If that occurs, capitalism will not carry on much longer.

The middle class must learn one stern and difficult lesson in order to carry on. It must clear up once and for all the confusion between profit and prosperity—and act accordingly.

*Profit Is Not Prosperity*

Profit is not prosperity. To gain is not to do well. Profit is net gain from capital investment. Prosperity is well-being. There is no uniform and reliable connection between the two. Many a man who makes huge profits never attains prosperity. Many prosper who profit little or not at all.

In a guarded sense, profit is more closely related to production, while prosperity is more a matter of consuming. This is not a sharp and absolute distinction. Let it serve rather as a clue to a set of important differences.

Permanent prosperity comes only in so far as we educate people in an intelligent way of life. For, whatever that way of life may happen to be, it must be the central determiner of the entire conduct of him who follows it.

The freest man is the self-sufficient man. To depend utterly on anybody else for anything is

to surrender some part of your liberty. Today nearly all of us are slaves. Not one man in ten could shift for himself at a pinch. Some children of the rich hardly know how to blow their own noses. Were they driven out into the open country by some onrush of invading barbarians, they would all starve. They would try to milk the ducks and beg the cow for eggs. Likewise with the millions of tenement folk. They have ceased to be people; they are only cogs in a super-machine.

This horrible dependence of everybody upon everybody else makes it easy for the handful of scoundrels bent on great fortunes to seize and retain control.

A financial system in which almost everybody is either a messenger, a paying teller, a door man, a safe repair man, a note teller, or a foreign exchange specialist; in which, furthermore, the messenger has no idea of foreign exchange, while the note teller could not repair the safe even if you offered him everything in it—this is plainly the happy hunting ground of the looter. Nobody looks at him as he plies his trade. And whoever might glance at him wouldn't know what he was doing.

I am not speaking lightly. This is precisely what happened, not once, but a thousand and one times in the course of the quarter-century-

long collapse of our financial and banking system. Read again the testimony in the Ivar Kreuger scandal—to mention only the high point in this tragicomedy of expert ignoramuses.

### *Civilized Profit Seekers*

When beer came back, and legal bars reopened after an era of wet Prohibition, the pretzel industry sprang to life afresh. A great New York department store combed the country for the best pretzels and soon found them in a Pennsylvania Dutch town. Orders were no sooner delivered than snapped up by hungry beer drinkers. Rush orders telegraphed back to the factory finally brought back the curt reply: "No more pretzels."

The store buyer sped to the factory, cornered the two stolid Pennsylvania Dutch owners, and explained the crying need for a steady flood of their pretzels. He also pointed out the immense profits to be made by signing up a contract for millions of pretzels.

"Nein!" grunted the two owners. "Ve got all the G'schaeft dot ve vant."

"But you could double the size of your factory and make three times as much money. Our store will lend you the money for the building and machinery, if you need it," argued the buyer.

“Donnerwetter! A bigger building?” Up went four fat hands in holy horror. “Vy! Ve got all the vork ve vant. Ve get everything ve can eat and trink and vear. And ve go places and see people. So no more money, thanks!”

And there they stood, unshaken. Just so many pretzels! And not one more!

Think of these solid citizens whenever somebody tells you that any social plan to limit profits runs counter to human nature and is therefore doomed. Intelligent, thoroughly sane people always limit their profits. People who wish to live well always put themselves on quotas. They understand that profits are not prosperity, that making money is not living, and that a well-balanced personality never allows itself to be thrown out of its stride by the lure of greater profits to be made by working nights, cutting friends, giving up porterhouse steaks in favor of crackers and milk, and becoming a slave to cash.

I often refer to the intelligent capitalism of the Amish farmers out in central Ohio. They have long practiced self-sufficiency in their independent religious communities. And they have prospered while their fellow citizens in nearby cities have gone down to ruin. Never large profit seekers, they have always prospered. They seek and realize prosperity, not through jobs and regular salaries from some corporate employer

## MIDDLE CLASS TO THE RESCUE

who may pass into the Limbo of Leviathans on some dark tomorrow. No such slavery for them! They are skilled entrepreneurs who undertake a variety of profitable activities on a modest scale.

The Amish folk know the well-balanced life. They are good farmers, fine cabinetmakers who do a lively business with nearby city people, and they are expert dairymen and cheesemakers to boot. Within their small, relatively isolated communities, they practice the orderly self-sufficiency of intelligent capitalism better by far than more than a tiny fraction of the ordinary professional and business men of the middle class.

They combine primitive industrialism in the manufacture of chairs, desks, tables, and cabinets with simple agriculture. They are strangers to technology; the visitor in their towns sees farmers and their families swinging along comfortably in horse-and-buggy. The automobile is still a strange and hostile critter of which they want none. Given modern technology in both manufacture and farming, however, these well-balanced folk would become the intelligent capitalists of the middle class. They do business in nearby cities only as much as they feel inclined to. They have no unemployment, no relief, relatively low taxes, no shocking debt burden. They are dependent on the stability of no

industrial order; they stand or fall with no politicians and grafters. Racketeering is just a strange piece of slang. Neither employees nor employers, they are successful entrepreneurs who live by well-balanced, varied work yielding modest returns, firm security, and complete independence. Strangers to profits in the usual sense of the term, they are the intimates of prosperity.

Accumulation of the evil type is no more necessary to a capitalist system than is an interest rate of 6 per cent or the printing of paper money in green ink. There is no mysterious economic law forcing you and me to put our cash into concerns already adequately capitalized. But there is a great ignorance on our part as to where and how to invest. Luckily ignorance may be corrected overnight.

The directors of our thousand largest corporations might meet tomorrow and decide to put all profits for the next five years into modern mass housing, even though they could hope for only 2 per cent profit from the venture. They could turn down an absolutely sure 4 per cent investment in other lines on the ground that the indirect advantages to all business and to the people of the country flowing from the erecting of millions of model homes in model villages would outweigh the advantages of an

extra 2 per cent return to their concerns. Would this be a collapse of capitalism? I cannot see how. Indeed, it might turn out to be the shrewdest long-range profit planning ever devised. For it often happens that low immediate returns lead to larger rewards later.

Or again, these same directors might vote to handle all of their own commercial credits and investments, in a cooperative bank made up exclusively of their own member group. They might kick out all the money traffickers and thus divert a large fraction of rewards to men and machines—that is, to their own workers and to their own plants. They might go much further than Henry Ford in this revolution, without undermining capitalism in the least. Bank loans and emergency financing would no longer devour most of their profits and force wage cuts.

Odd notions about human nature crop up all through Socialist and Communist literature. The latest commentator of note, Lewis Corey, in his ponderous volume, *The Decline of American Capitalism*, repeats the hoary old preachment of the Marxians that the antagonism between employer and worker is fundamental in capitalist production and cannot ever end, largely because the striving for larger profits must always prevent wages from rising parallel with increased living costs.

All the way back to Marx himself you may trace this superstition that capitalists strive for larger and larger profits without cease. They are forced to it because they have to prove that wages must ever lag behind profits. If this were not so, then plainly a day might arrive when the workers were getting as much as the capitalist employers—or even more. That would discourage them from rising in revolt and wiping out the capitalist system, wouldn't it?

The facts do not square with this early nineteenth century conception. We know now that many individuals are hogs, and that hogs stuff themselves. We know that many other individuals are well satisfied with incomes which give them certain satisfactions such as ten-room houses with steam heat, hundred-dollar rugs on the floors, three cars, a Florida bungalow, and a four-room apartment in town for the winter. As soon as this is assured, they strive for no greater profits.

I could publish a sizable directory of such civilized people. I might describe to you an important officer in one of the three largest corporations who, having made a little more than half a million in the course of some fifteen years of hard work, called a halt on profits; set up a small business of his own miles away from his office; reduced his Big Business activi-



## MIDDLE CLASS TO THE RESCUE

ties to a fraction of what they had been; and, in a sense, began at the bottom again, simply because he enjoyed the new little business and felt that he could make good at it. In short, he exemplifies perfectly the common type of business man who truly plays the game for the game's sake.

I might introduce you to a second type of civilized profit-seeker, this time a gentleman who has long been earning about ten thousand a year in a professional capacity as a statistician. Some years ago he was offered a contract which would require him to do exactly the same kind of work he had long been doing but at three times the salary. Without hesitation he rejected it. I met him a few days later and asked him why. He answered pretty much as did the pretzel maker of Pennsylvania. He had all he wanted in life. He liked his present job. Why change, just for a measly twenty thousand a year extra?

Finally I might exhibit a third and considerably different variety, in the gentleman who arranged with his employees to pay them wages automatically scaled to fit the gross volume of business which his company gets from month to month. When business falls off, wages drop. When business picks up, so do wages.

This type of wage contract has of late been adopted by several important manufacturers.

## CAPITALISM CARRIES ON

Soon it may become common. And it gives the lie to the moth-eaten idea that capitalists always strive for higher profits.

A well-bred man can control his passion for wealth quite as skillfully as he can stop drinking after the first cocktail. He is under no greater compulsion to reinvest his profits in bigger factories than he is to run for Congress. It is only in the fairy land of the economists that people are ruled by "economic laws" in this mad fashion. Men created the money-and-profit system just as they created plants and cigarettes. The world of men ran on for a million years with no such system. It may run on another million without it.

## *And So We Conclude . . . .*

**C**APITALISM will carry on if it keeps up with the times.

To keep up with the times, it must go pioneering into new fields and, in some cases, desert old, overworked fields.

It must employ all of the superior minds in this pioneering, in order to open up fresh territories rapidly and thus create new wealth. In short, the entire middle class must once more be marshalled for research, exploration, discovery, invention, and creative planning.

This pioneering must move in three directions: first of all, toward the cheapening of all existing goods for consumers; secondly, toward the mass production of wholly new comforts which lighten men's burdens and add joy to living; and finally toward the rendering of services which make people merrier, serener, wiser, healthier, and more interesting to themselves and to others.

The unwilling idle must be speedily reemployed. As they cannot be taken back on old jobs, they must turn to new. These must be created chiefly in the field of services, inasmuch

as technology does not increase the man-hour output here to any great extent and hence does not bring about later unemployment. That is, trained nurses, settlement workers, medical inspectors, physicians, teachers, artists, singers, travel guides, hotel directors, and all the other people who render personal services cannot be displaced by machines. And we can use hundreds of thousands more of such people, as soon as we can pay for their services.

As capitalists desert old, overworked fields where little or no profit is to be made, they must accept as sound public policy the turning over of such fields to people and institutions which run them without the profit motive. For instance, it must be regarded as a natural implication of progressive capitalism that the growing of basic foods and the making of basic textiles be delegated either to subsistence homesteaders or to public utility companies which are underwritten by the government, make little or no profit, but pay fair salaries to all employees. The old notion that capital has a right to operate in all industries and to be assured of a fair reward there must be scrapped. Fields made unprofitable either by a mature technology or else by some inner conditions of labor and price cannot be worked for profit and hence should be handled on a different basis.

## AND SO WE CONCLUDE . . . .

Capitalists must accept, *at least for the present*, the inevitable rise of a non-profit society parallel to and outside of the profit system. However repugnant this may seem, it is better to deal with it as it is; otherwise grave complications must follow. Years must pass before the millions now outside the capitalist system in America can be reemployed in profitable enterprises. Possibly many of these millions never can be taken back. Nobody yet knows the eventual trend here, for the situation is without parallel in all history. Only one rule is sound: experiment cautiously with all plausible programs for taking workers back into the capitalist system and for raising the living levels of those who must remain outside.

During this long transitional period, capitalism must solve the debt problem and the waste problem, not only of individual enterprises but also of the community at large; for debt restricts buying power, which in turn restricts industrial expansion and the sale of services. Debts and losses arising from non-productive or anti-productive activities must first be ended; notably those caused by crime and war. Next in rank come the colossal wastes of natural resources, such as petroleum, timber, natural gas, farm soil, and so on. Capitalism might restore prosperity to all worthy citizens within ten

years, if its leaders could master these problems alone.

As prosperity depends largely upon the tempo of making, selling, and using goods and services, capitalism must speed up credit for the creating of wealth and the rendering of services. New laws may be necessary to force frozen capital into channels which lead to sure, useful results.

Plainly all capital now in the country is needed for new enterprises at home. So the movement of funds to alien enterprises must be prohibited, with severe penalties for violations.

Goods must be produced for home consumption, first and foremost. As the country can be almost self-sufficient, capital should move into profitable fields which enlarge this self-sufficiency, even though the margin of profits may not be so great as elsewhere. Social stability strengthens the economic system; hence whatever makes for social stability may be carried as capital insurance.

Capitalism will carry on only under more and more intelligent control. Whether everybody likes this or not, it is going to happen. Unintelligent leaders will be exterminated, if not by their own folly then by those who refuse to be injured by it. Wider and wider controls will be exercised. First of all, the larger industries will regulate themselves through trade associations

AND SO WE CONCLUDE . . . .

and rules with teeth in them. Violators of codes and standards will be sternly suppressed. Central committees on which all industries are represented will handle issues which concern capitalists in general.

All such wider coordinations call for long-range planning of and by industry. Hence they also require long-term budgets in place of the conventional one-year budget. The latter suits a period of rapid business tempo. Today we need five-year and ten-year budgets not only in business but also in government. For now a year about equals a month of the pre-depression tempo. A thirty-day budget in 1926 would have caused laughter; yet our annual budget is almost as inept, for the swings of readjustment are very slow and painful, and no sense of direction or stability of program is gained within the program of a single twelvemonth.

Capitalism will carry on smoothly if it shows at least as clear a grasp of realities as the capitalists of fifty years ago exhibited.

It will attain this clarity only if it retains both the loyalty and the services of the middle class.

It will retain both only if it abolishes fear of ruin and old-age poverty from middle-class minds.

It can abolish such fear by putting all of the idle scientists, engineers, and other professional

## CAPITALISM CARRIES ON

workers and executives at work pioneering along the three main lines already mentioned.

After five years of drifting and panic, it has finally gained insight and courage to strike out along new lines. Public sentiment is behind such a program. It cannot fail, if executed with clear, bold minds.